

I. CORPORATE DIRECTORY**DIRECTORS**

Name	Address	Profession	Nationality
Datuk Kua Sian Kooi <i>(Executive Chairman/ Chief Executive Officer/ Executive Director)</i>	11A, Jalan TR2/5 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	Director	Malaysian
Datuk Kua Chung Sen <i>(Deputy Executive Chairman/ Executive Director)</i>	No. 16, Jalan USJ5/3 Subang Jaya 47650 Selangor Darul Ehsan	Director	Malaysian
Dato' Low Heong Chow @ Loh Heong Chow <i>(Executive Director)</i>	No. 11A, Jalan TR2/1 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	Director	Malaysian
Dato' Othman Bin Abdul <i>(Non-Independent Non-Executive Director)</i>	No. 5, Jalan 6/71B Pinggir Taman Tun Dr. Ismail 60000 Kuala Lumpur	Director	Malaysian
Dato' Quah Teong Moo <i>(Non-Independent Non-Executive Director)</i>	No. 26, Jalan SS 19/1A 47500 Petaling Jaya Selangor Darul Ehsan	Director	Malaysian
Dato' Yeoh Cheng Hooi <i>(Independent Non-Executive Director)</i>	112, Jalan Tun Dr. Awang 11900 Bayan Lepas Pulau Pinang	Director	Malaysian
Yuen Choong Lai <i>(Independent Non-Executive Director)</i>	No. 71, Jalan Serindit 10 Kawasan 17, Taman Eng Ann 41150 Klang Selangor Darul Ehsan	Accountant	Malaysian
Datuk Mohd Saufi bin Abdullah <i>(Independent Non-Executive Director)</i>	No. 10, Jalan Perintis U1/9 Glenmarie Court 40160 Shah Alam Selangor Darul Ehsan	Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Yuen Choong Lai	Chairman of committee	Independent Non-Executive Director
Datuk Kua Sian Kooi	Member of committee	Executive Chairman/ Chief Executive Officer/ Executive Director
Dato' Yeoh Cheng Hooi	Member of committee	Independent Non-Executive Director

I. CORPORATE DIRECTORY (CONT'D)

- COMPANY SECRETARY** : Chung Pei Pei (F) (MAICSA 7014594)
Kurnia Asia Berhad
25th Floor, Menara Kurnia, Block B4
Pusat Dagang Setia Jaya (Leisure Commerce Square)
No. 9, Jalan PJS 8/9
46150 Petaling Jaya, Selangor Darul Ehsan
Telephone No.: 603 7874 5808
Fax No.: 603 7874 8686
- REGISTERED OFFICE** : Kurnia Asia Berhad
25th Floor, Menara Kurnia, Block B4
Pusat Dagang Setia Jaya (Leisure Commerce Square)
No. 9, Jalan PJS 8/9
46150 Petaling Jaya, Selangor Darul Ehsan
Telephone No.: 603 7874 6622
Fax No.: 603 7874 8686
E-mail: kab@kurnia.com.my
Website: www.kurnia.com.my
- PRINCIPAL BANKER** : Malayan Banking Berhad
Bandar Sunway Branch
No. 31-32, Jalan PJS 11/28A
Bandar Sunway
46150 Petaling Jaya
Tel No.: 603 5637 0871
Fax No.: 603 5637 0869
- AUDITORS** : KPMG (Firm No. AF0758)
Chartered Accountants
Wisma KPMG, Jalan Dungun, Damansara Heights,
50490 Kuala Lumpur
Telephone No.: 603 2095 3388
Fax No.: 603 2095 0971
- REPORTING ACCOUNTANTS** : KPMG (Firm No. AF0758)
Chartered Accountants
Wisma KPMG, Jalan Dungun, Damansara Heights,
50490 Kuala Lumpur
Telephone No.: 603 2095 3388
Fax No.: 603 2095 0971
- REGISTRAR** : Symphony Share Registrars Sdn Bhd (*formerly known
as Malaysian Share Registration Services Sdn Bhd*)
Level 26, Menara Multi-Purpose, Capital Square
8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Telephone No. : 603 2721 2222
Fax No. : 603 2721 2530/603 2721 2531
- SOLICITORS FOR THE LISTING** : Shearn Delamore & Co
7th Floor, Wisma Hamzah-Kwong Hing, No. 1 Leboh
Ampang, 50100 Kuala Lumpur
Telephone No.: 603 2070 0644
Fax No.: 603 2078 5625/603 2078 2376
E-mail: info@shearndelamore.com

I. CORPORATE DIRECTORY (CONT'D)

- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd
27th Floor, Menara Multi-Purpose, Capital Square
8, Jalan Munshi Abdullah, 50100 Kuala Lumpur
Telephone No. : 603 2693 2075
Fax No. : 603 2693 0858
- ADVISER, SOLE BOOKRUNNER
AND MANAGING UNDERWRITER** : Commerce International Merchant Bankers Berhad
7th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Telephone No.: 603 2084 8888
Fax No.: 603 2095 0082
- UNDERWRITERS** : Commerce International Merchant Bankers Berhad
7th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Telephone No.: 603 2084 8888
Fax No.: 603 2095 0082
- K & N Kenanga Bhd
801, 8th Floor
Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No.: 603 2164 9080/603 2162 1490
Fax No.: 603 2161 4990/603 2163 5927
- PM Securities Sdn Bhd
5th Floor, MUI Plaza
Jalan P. Ramlee
50250 Kuala Lumpur
Telephone No.: 603 2715 1330/603 2146 3000
Fax No.: 603 2715 1323/603 2031 7289
- Affin Securities Sdn Bhd
Level 3 Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
Telephone No.: 603 2143 8668
Fax No.: 603 2143 3663
- TA Securities Holdings Berhad
Menara TA One
22 Jalan P. Ramlee
50250 Kuala Lumpur
Telephone No.: 603 2072 1277
Fax No.: 603 2031 6608
- LISTING SOUGHT** : Main Board of Bursa Securities

II. INFORMATION SUMMARY

THE FOLLOWING IS ONLY A SUMMARY OF SALIENT INFORMATION ABOUT THE KURNIA GROUP AND OTHER INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS, INCLUDING THE RISK FACTORS DESCRIBED IN SECTION IV OF THIS PROSPECTUS, BEFORE DECIDING WHETHER TO INVEST IN THE OFFER SHARES OFFERED HEREBY.

1. Information on the Kurnia Group

KAB was incorporated in Malaysia on 16 February 2001 as a private limited company under the name of Kurnia Asia Sdn Bhd. On 21 November 2002, the Company was converted to a public limited company and it assumed its present name.

KAB is an investment holding company. The principal activity of its subsidiary, KIMB, is the underwriting of general insurance.

Details of KAB's subsidiary are as follows:

Company	Date of Incorporation	Issued and Paid-up Share Capital	Equity Interest %	Principal Activity
KIMB	30 December 1978	RM200,000,000	100	Underwriting of general insurance

The principal activity of the Kurnia Group is the underwriting of general insurance.

Overview

Arising from its beginnings more than a decade ago, KIMB has become one of the most successful general insurance companies in Malaysia. With a market share of 22.6% of motor net written premiums and 13.4% market share of overall total industry net written premiums for 2003 (*Source: BNM Insurance Annual Report 2003, Chart 2: Insurance Key Indicators, and Table G. 4(b), General Insurance Net Premiums and Earned Premium Income*), KIMB is presently the largest general and motor insurer in the country, with gross written premium in excess of RM1,056 million for the financial year ended 30 June 2004.

As a market leader, KIMB is supported by an extensive network of 7,672 agents across the nation as at 30 November 2004, being the latest practicable date prior to the issuance of this Prospectus.

With a capitalisation of RM200 million, and total assets exceeding RM1.6 billion as at the end of its financial year ended 30 June 2004, KIMB stands as a pillar of the industry, representing stability and strength. This is supported by the "A" rating for general insurance financial strength accorded by MARC for four (4) years since 1999, and further upgraded to "A+" in year 2004.

KIMB underwrites predominantly motor business, which accounted for 93.6% of its net written premiums for the financial year ended 30 June 2004. While KIMB has carved a niche in motor underwriting, its non-motor portfolio is by no means, insignificant in absolute premium terms. KIMB will pursue growth in the non-motor business in support of the nation's drive for increased national retention, and to command a larger share of the general insurance market.

Economies of scale, stringent underwriting and claims control have contributed to KIMB's strong underwriting performance. These, together with prudent investment policies and practices, have ensured KIMB's sound financial position and favourable financial performances.

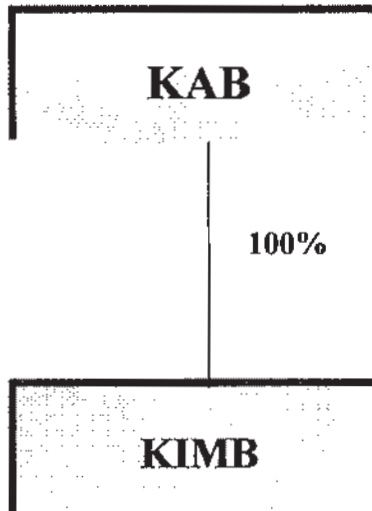
II. INFORMATION SUMMARY (CONT'D)

Competitive Strengths

Kurnia Group believes that it is uniquely positioned to derive significant benefits by growing its Malaysian and potential regional businesses as a result of the following competitive advantages:

- (i) An effective and dynamic top management team that adopts a hands-on approach in addressing any business issues that may arise from time to time;
- (ii) An extensive network of branches and large agency force that makes its presence felt throughout the country, and which is still growing;
- (iii) A well organised and well managed force of trained marketing personnel who provide strong support for the agency force;
- (iv) A strong ICT set-up that enables strong management and internal control system to provide constant enhancing and monitoring of business operations;
- (v) Economies of scale coupled with stringent claims controls, prudent risk selection and underwriting; and
- (vi) A healthy and established brand image built on strong customer service, fair business practices as well as product and service innovation.

The corporate structure of the Kurnia Group is as follows:



For further information on business overview and background on the Kurnia Group, please refer to Section V of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

2. Ownership and Management

Save as disclosed below, none of the Directors, promoters and substantial shareholders of KAB as well as key management of the Kurnia Group, has any shareholding, direct or indirect, in KAB after the Offer for Sale:

	Designation(s)	←-----Direct-----→		←-----Indirect-----→	
		No. of KAB Shares held	%	No. of KAB Shares held	%
Directors					
Datuk Kua Sian Kooi	Executive Chairman/ Chief Executive Officer/ Executive Director	751,647,224	50.110	-	-
Datuk Kua Chung Sen	Executive Director/ Deputy Executive Chairman	11,722,000	0.781	-	-
Dato' Low Heong Chow @ Loh Heong Chow	Executive Director	1,000,000	0.067	-	-
Dato' Othman Bin Abdul	Non-Independent Non- Executive Director	34,908,068	2.327	150,000,000*	10.000
Dato' Quah Teong Moo	Non-Independent Non- Executive Director	1,000,000	0.067	-	-
Dato' Yeoh Cheng Hooi	Independent Non- Executive Director	38,527,318	2.568	-	-
Yuen Choong Lai	Independent Non- Executive Director	500,000	0.033	-	-
Datuk Mohd Saufi bin Abdullah	Independent Non- Executive Director	14,500,000 [^]	0.967	-	-
Promoters					
Datuk Kua Sian Kooi	Executive Chairman/ Chief Executive Officer/ Executive Director	751,647,224	50.110	-	-
Datuk Kua Chung Sen	Executive Director/ Deputy Executive Chairman	11,722,000	0.781	-	-
Substantial Shareholders					
Datuk Kua Sian Kooi	Executive Chairman/ Chief Executive Officer/ Executive Director	751,647,224	50.110	-	-
Dato' Tee Tiam Lee	Shareholder	120,194,918 [#]	8.013	-	-
Dato' Othman Bin Abdul	Non-Independent Non- Executive Director	34,908,068	2.327	150,000,000*	10.000
D.O.A. Entrepreneur Sdn Bhd	Shareholder	150,000,000	10.000	-	-

II. INFORMATION SUMMARY (CONT'D)

	Designation(s)	←-----Direct-----→		←-----Indirect-----→	
		No. of KAB Shares held	%	No. of KAB Shares held	%
Key Management					
Datuk Kua Sian Kooi	Executive Chairman/ Chief Executive Officer/ Executive Director	751,647,224	50.110	-	-
Datuk Kua Chung Sen	Executive Director/ Deputy Executive Chairman	11,722,000	0.781	-	-
Dato' Low Heong Chow @ Loh Heong Chow	Executive Director/ Chairman of KIMB	1,000,000	0.067	-	-
Dato' Quah Teong Moo	Non-Independent Non- Executive Director of KAB/ Executive Director of KIMB	1,000,000	0.067	-	-
Kong Shu Yin	Chief Executive Officer and Executive Director of KIMB	1,000,000	0.067	-	-
Zainal bin Sehat	Senior General Manager	500,000	0.033	-	-
San Chee Kit	Senior General Manager	500,000	0.033	-	-
Kho Liang Hing @ Khor Liang Hing	General Manager	500,000	0.033	-	-
Ng Kok Piew	General Manager	50,000	0.003	-	-
Kamal Arifin Bin Dato' Zakaria	General Manager	500,000	0.033	-	-
Dr. Tee Kim Siong	General Manager	300,000	0.020	-	-
Lee Wai Kwon	Assistant General Manager	96,000	0.006	-	-
Rosliza Mohd Yusoff	Assistant General Manager	92,000	0.006	-	-

Notes:

* Deemed interested by virtue of his interest in D.O.A. Entrepreneur Sdn Bhd pursuant to Section 6A of the Act.

^ Pending MoF's recognition of him as an approved Bumiputera investor.

" To be held through CIMSEC Nominees (Tempatan) Sdn. Bhd.

Further details of the Directors, key management, promoters and substantial shareholders are set out in Section VI of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

3. Financial Highlights

3.1 Proforma Consolidated Financial Results

The table below sets out a summary of the proforma consolidated financial results of the Kurnia Group for the past five (5) financial years ended 30 June 2004, prepared based on the audited financial statements of the Group and on the assumption that the current structure of the Group has been in existence throughout the financial years under review. The proforma consolidated financial results are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report as set out in Section X of this Prospectus:

Income Statement

	← Financial Year Ended 30 June →				
	2000	2001	2002	2003	2004
	RM 000	RM 000	RM 000	RM 000	RM 000
Operating revenue	602,160	743,784	917,739	995,339	1,110,338
Surplus transferred from insurance revenue account	88,261	87,770	154,139	166,167	120,280
Administrative expenses	-	-	-	-	(5)
PBT	88,261	87,770	154,139	166,167	120,275
Tax expense	(29,000)	(21,540)	(47,979)	(47,503)	(35,524)
PAT	59,261	66,230	106,160	118,664	84,751
Number of KAB Shares assumed in issue (000) ¹	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Effective tax rate (%)	33	25	31	29	30
Pre-tax profit margin (%) ²	18	14	21	20	13
EPS ³ (sen) - gross	5.9	5.9	10.3	11.1	8.0
- net	4.0	4.4	7.1	7.9	5.7

Notes:

¹ The number of KAB Shares assumed in issue throughout the financial years under review is the number of KAB Shares in issue after the implementation of the share split, Acquisition of KIMB and Non-Renounceable Rights Issue.

² The pre-tax profit margin is computed based on earned premium for the respective financial years under review.

³ The gross and net EPS are computed based on the PBT and PAT respectively divided by the number of KAB Shares assumed in issue.

⁴ There were no exceptional or extraordinary items during the financial years under review except in the financial year ended 30 June 2004. During the financial year ended 30 June 2004, included in the increase in incurred but not reported ("IBNR") charge for 2004 of RM167 million was approximately RM87 million for additional provisions made for previous years. The IBNR charge of RM167 million is included in the caption of net claims incurred shown in the insurance revenue account. The said additional provision had resulted from the changes in the projected numbers of cases made by the independent actuary based on actual development of claims pattern that become more obvious during the 2004 financial year.

II. INFORMATION SUMMARY (CONT'D)

Insurance Revenue Account

	←----- Financial Year Ended 30 June ----->				
	2000	2001	2002	2003	2004
	RM 000	RM 000	RM 000	RM 000	RM 000
Gross premium	570,875	704,409	873,737	951,497	1,056,291
Less: Reinsurance	(48,375)	(54,155)	(84,330)	(87,302)	(92,522)
Net premium	522,500	650,254	789,407	864,195	963,769
Increase in unearned premium reserves	(42,061)	(41,972)	(58,688)	(27,340)	(65,631)
Earned premium	480,439	608,282	730,719	836,855	898,138
Net claims incurred	(273,337)	(347,936)	(428,800)	(480,318)	(610,864)
Net commission	(60,742)	(73,783)	(86,467)	(93,434)	(93,952)
Underwriting surplus before management expenses	146,360	186,563	215,452	263,103	193,322
Management expenses	(99,142)	(119,751)	(141,247)	(159,516)	(162,374)
Underwriting surplus	47,218	66,812	74,205	103,587	30,948
Investment income	31,285	39,375	44,002	43,842	54,047
Other income/ (expenditure)-net	9,758	(18,417)	35,932	18,738	35,285
Transfer to income statement	88,261	87,770	154,139	166,167	120,280

KAB and its subsidiary's audited financial statements for the past five (5) years have not been subjected to any audit qualifications.

Detailed information on the proforma income statements of the Kurnia Group is set out in Section IX of this Prospectus.

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II. INFORMATION SUMMARY (CONT'D)

3.2 Proforma Consolidated Balance Sheets

The following is a summary of the proforma consolidated balance sheets of KAB as at 30 June 2004, prepared for illustration purpose only, to show the effects of the Restructuring Exercise, on the assumption that these transactions were completed on 30 June 2004 and is prepared on the basis consistent with the accounting policies adopted by the Kurnia Group:

	Audited as at 30.06.2004 RM 000	Proforma I After Share Split and Acquisition of KIMB RM 000	Proforma II After Proforma I and Non- Renounceable Rights Issue RM 000
Assets			
Property and equipment	-	241,394	241,394
Investments	-	1,206,564	1,206,564
Loans	-	19,525	19,525
Receivables	-	79,515	79,515
Tax recoverable	-	10,136	10,136
Cash and bank balances	.	34,336	94,367
Total assets	.	1,591,470	1,651,501
Liabilities			
Provision for outstanding claims	-	749,592	749,592
Payables	5	63,862	63,862
Staff retirement benefits	-	8,040	8,040
Deferred tax liability	-	5,730	5,730
Total liabilities	5	827,224	827,224
Insurance reserves			
Unearned premium reserves	-	426,488	426,488
Shareholders' equity			
Share capital	.	328,007	375,000
Share premium	-	-	13,038
Reserves	(5)	(5)	(5)
	(5)	328,002	388,033
Negative goodwill	-	9,756	9,756
Total liabilities and Shareholders' equity	.	1,591,470	1,651,501
Net tangible (liabilities)/assets per KAB Share (RM)	(2,720)	0.26	0.27
Number of KAB Shares in issue (000)	0.002**	1,312,028	1,500,000

Notes:

* Represents RM2.00.

** Represents two (2) ordinary shares of RM1.00 each in KAB before implementation of the share split.

Detailed information on the proforma consolidated balance sheets of KAB is set out in Section IX of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

4. Risk Factors

Applicants for the Offer Shares should carefully consider the following risk factors (which may not be exhaustive) summarised from Section IV of this Prospectus, in addition to the other information contained elsewhere in this Prospectus, before applying for the Offer Shares:

- (i) Risks relating to the operations and business of the Kurnia Group;
 - (a) Dependence on key personnel
 - (b) Underwriting risks
 - (c) Distribution channels
 - (d) Competition
 - (e) Credit control
 - (f) Technological change and process development
 - (g) Future expansion plans

- (ii) Investment risks;
 - (a) Credit risk
 - (b) Interest rate risk
 - (c) Liquidity risk
 - (d) Market risk

- (iii) Risks relating to the Shares;
 - (a) There has been no prior market for the KAB Shares
 - (b) Control by substantial shareholders
 - (c) Post-listing price
 - (d) Possible delay or failure in trading of the Shares
 - (e) Underwriting risks

- (iv) Forward-looking statements;

- (v) Political, economic, environmental and social developments;

- (vi) Government regulations;

- (vii) Brand loyalty; and

- (viii) Profit forecast.

Detailed commentary on these risk factors are set out in Section IV of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

5. Principal Statistics**(i) Share Capital****RM***Authorised*5,000,000,000 ordinary shares of RM0.25 each 1,250,000,000*Issued and fully paid-up as at the date of this Prospectus*1,500,000,000 ordinary shares of RM0.25 each 375,000,000*To be offered pursuant to the Offer for Sale*543,000,000 ordinary shares of RM0.25 each 135,750,000**(ii) Classes of shares and ranking**

There is only one (1) class of shares in the Company, being ordinary shares of RM0.25 each. The Offer Shares will rank pari passu in all respects with the other existing issued and paid-up KAB Shares.

Detailed information on the share capital is set out in Section V of this Prospectus.

(iii) Retail Price for the Retail Offering

Retail Price for each Offer Share **RM1.00**
(subject to adjustment pursuant to Section III(7) of this Prospectus)

Detailed information on the basis of arriving at the Retail Price of the KAB Shares is set out in Section III of this Prospectus.

(iv) Proforma Group NTA as at 30 June 2004

Proforma Group NTA (RM 000)
(after deducting total estimated listing expenses amounting to RM2.0 million) **397,789**

Proforma Group NTA per Share
(based on the entire issued and paid-up share capital of 1,500,000,000 KAB Shares) **RM0.27**

Detailed information on the proforma NTA of the Kurnia Group is set out in Section IX of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

(v) Consolidated profit forecast for the financial year ending 30 June 2005

	RM 000
Operating revenue	<u>1,206,228</u>
Consolidated PBT	216,022
Less: Taxation	<u>(62,949)</u>
Consolidated PAT	153,073
Less: Pre-acquisition profit ¹	<u>(51,075)</u>
Consolidated PAT attributable to shareholders	<u>101,998</u>
Net EPS (sen)	
- Based on weighted average number of KAB Shares	10.28 ²
- Based on the entire issued and paid-up share capital	10.20 ³
Net PE Multiple (based on the Retail Price) (times)	
- Based on weighted average number of KAB Shares	9.73 ²
- Based on the entire issued and paid-up share capital	9.80 ³

Notes:

¹ Based on the unaudited management accounts results of KIMB for the period from 1 July 2004 to 31 October 2004.

² Based on the consolidated PAT attributable to shareholders divided by the weighted average number of KAB Shares after taking into account the completion of share split on 2 August 2004, Acquisition of KIMB on 5 November 2004 as well as Non-Renounceable Rights Issue on 6 November 2004 and 17 November 2004.

³ Based on the consolidated PAT attributable to shareholders divided by the entire issued and paid-up share capital.

Further information on the profit forecast of the Kurnia Group is set out in Section IX of this Prospectus.

(vi) Dividend forecast for the financial year ending 30 June 2005

The Directors of KAB expect to declare a net dividend of 4.00 sen per KAB Share for the financial year ending 30 June 2005 as follows:

Gross dividend per KAB Share ¹ (sen)	5.56
Gross dividend yield based on the Retail Price (%)	5.56
Net dividend per KAB Share ¹ (sen)	4.00
Net dividend yield based on the Retail Price (%)	4.00
Net dividend cover ² (times)	1.70

Notes:

¹ Based on the entire issued and paid-up share capital of 1,500,000,000 KAB Shares after the Restructuring and Listing Scheme.

² Computed based on the consolidated PAT attributable to shareholders divided by the net dividend.

Further information on the dividend forecast of KAB is set out in Section IX of this Prospectus.

II. INFORMATION SUMMARY (CONT'D)

6. Working Capital, Contingent Liabilities, Material Capital Commitments, Indebtedness and Material Litigation
6.1 Working capital

The Directors are of the opinion that, after taking into account the cashflow position of the Kurnia Group and the gross proceeds from the Non-Renounceable Rights Issue, the Kurnia Group will have sufficient working capital for the period of twelve (12) months from the date of this Prospectus.

6.2 Contingent liabilities

As at 21 December 2004, being the latest practicable date prior to the issuance of this Prospectus, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net asset value of the Kurnia Group.

6.3 Material capital commitments

As at 21 December 2004, being the latest practicable date prior to the issuance of this Prospectus, there are no material capital commitments contracted or known to be contracted which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Kurnia Group.

6.4 Indebtedness

As at 21 December 2004, being the latest practicable date prior to the issuance of this Prospectus, the Kurnia Group has no outstanding bank borrowings or overdraft.

6.5 Material litigation

As at 21 December 2004, being the latest practicable date prior to the issuance of this Prospectus, the Kurnia Group is not engaged in any material litigation and/or arbitration, either as plaintiff or defendant and the Directors of the Company do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Kurnia Group.

Detailed information on the working capital, contingent liabilities, material capital commitments and indebtedness is set out in Section IX of this Prospectus. Detailed information on the material litigation is set out in Section XII of this Prospectus.

7. Proceeds from the Non Renounceable Rights Issue and the Utilisation thereof

The gross proceeds received by KAB from the Non-Renounceable Rights Issue of approximately RM62 million will be utilised as follows:

	RM
Working capital	60,031,000
Estimated listing expenses	2,000,000
	<u>62,031,000</u>

8. Proceeds from the Offer for Sale

The gross proceeds from the Offer for Sale will accrue to the Offerors.

Further information on the proceeds from the Offer for the Sale is set out in Section III of this Prospectus.

III. PARTICULARS OF THE OFFER FOR SALE

1. Introduction

This Prospectus is dated 30 December 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form has also been lodged with the Registrar of Companies and neither the SC nor the Registrar of Companies takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the KAB Shares as a Prescribed Security. In consequence thereof, the Offer Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Offer Shares will be carried out in accordance with the aforesaid Act and the Rules.

An application will be made to Bursa Securities within three (3) Market Days from the date of this Prospectus for admission to the Official List of the Main Board of Bursa Securities and for permission to deal in and for the listing of and quotation for the entire issued and paid-up ordinary shares of KAB, including the Offer Shares, which are the subject of this Prospectus and the approval-in-principle for the listing of the KAB Shares on the Main Board of Bursa Securities. These KAB Shares will be admitted to the Official List of the Main Board of Bursa Securities and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

Acceptance of the applications will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of the entire issued and fully paid-up share capital of KAB, including the Offer Shares, on the Main Board of Bursa Securities. Accordingly, monies paid in respect of any application accepted from the applications will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of Bursa Securities within the aforesaid timeframe.

Pursuant to the Bursa Securities LR, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 KAB Shares each upon completion of the Offer for Sale at the point of listing. In the event that the above requirement is not met pursuant to the Offer for Sale, the Company may not be allowed to proceed with its listing on the Main Board of Bursa Securities. In the event thereof, monies paid in respect of all applications will be returned if the said permission is not granted.

In the case of an application by way of Application Form, only an applicant who has a CDS account can make an Application by way of Application Form. An applicant should state his/her CDS account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application, requires him/her to do so. In the case of an application by way of Internet Share Application, only an applicant who has a CDS account opened with the Internet Participating Financial Institution can make an Internet Share Application. Arising therewith, the applicant's CDS account number would automatically appear in the electronic initial public offering online application form. A corporation or institution cannot apply for the Offer Shares by way of Electronic Share Application or Internet Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Offer for Sale and if given or made, such information or representation must not be relied upon as having been authorised by KAB and/or the Offerors. Neither the delivery of this Prospectus nor any Offer for Sale made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of KAB or the Group since the date hereof.

III. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

This Prospectus does not constitute and shall not be used for the purpose of an offer to sell or an invitation to apply for any Offer Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of the Offer Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser.

2. Share Capital and Rights Attaching to the Offer Shares

	RM
<i>Authorised</i>	
5,000,000,000 ordinary shares of RM0.25 each	<u>1,250,000,000</u>
<i>Issued and fully paid-up as at the date of this Prospectus</i>	
1,500,000,000 ordinary shares of RM0.25 each	<u>375,000,000</u>
<i>To be offered pursuant to the Offer for Sale</i>	
543,000,000 ordinary shares of RM0.25 each	<u>135,750,000</u>

There is only one (1) class of shares in the Company, being ordinary shares of RM0.25 each. The Offer Shares will rank pari passu in all respects with the other existing issued and paid-up KAB Shares.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each KAB Share held. A proxy may but need not be a member of the Company.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the KAB Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distribution and the whole of any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

III. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

3. Opening and Closing of Applications

Applications will be accepted from 10.00 a.m. on 30 December 2004 and will close at 5.00 p.m. on 7 January 2005 or such other date(s) as the Directors of KAB, the Offerors, the Managing Underwriter (in respect of the Retail Offering) and the Sole Bookrunner (in respect of the Institutional Offering) may in their absolute discretion mutually decide. Late applications will not be accepted. The indicative timing of events leading up to the Listing is set out below:

Event	Tentative Date
Opening of the Retail Offering and Institutional Offering	30 December 2004
Closing of the Retail Offering	7 January 2005, 5.00 p.m.
Closing of the Institutional Offering	10 January 2005, 5.00 p.m.
Price Determination Date	11 January 2005
Balloting of applications for the Offer Shares pursuant to the Retail Offering	13 January 2005
Allotment of Offer Shares to successful applicants	20 January 2005
Listing and quotation	31 January 2005

The Retail Offering and Institutional Offering will open and close at the dates stated above or such other date(s) as the Directors of KAB, the Offerors, the Managing Underwriter (in respect of the Retail Offering) and the Sole Bookrunner (in respect of the Institutional Offering) may in their absolute discretion mutually decide. Should the closing date of the application be extended, the notice of the extension of the closing date will be published in widely-circulated Bahasa Malaysia and English daily newspapers in Malaysia and the dates for price determination, balloting, and allotment of Offer Shares as well as listing of and quotation for the entire issued and paid up share capital of KAB on the Main Board of Bursa Securities would be extended accordingly.

4. Particulars of the Offer for Sale

The Offer for Sale is subject to the terms and conditions of this Prospectus and, upon acceptance of applications, the Offer Shares will be allotted in the following manner:

Retail Offering at the Retail Price payable in full upon application and subject to refund in the event that the Final Retail Price is less than RM1.00 per Offer Share.

- (i) 45,000,000 of the Offer Shares representing 3.0% of the entire issued and paid-up share capital of the Company have been reserved to eligible Directors, employees and registered agents of the Kurnia Group in Malaysia;
- (ii) 415,500,000 of the Offer Shares representing 27.7% of the entire issued and paid-up share capital of the Company have been reserved for Bumiputera investors approved by the MoF; and
- (iii) 40,000,000 of the Offer Shares representing approximately 2.7% of the entire issued and paid-up share capital of the Company have been reserved for Malaysian citizens, companies, co-operatives, societies and institutions.

III. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

Institutional Offering at the Institutional Price payable in full upon allocation and determined by way of bookbuilding.

- (i) 42,500,000 of the Offer Shares representing approximately 2.8% of the entire issued and paid-up share capital of the Company will be made available for application by institutional and identified investors.

The completion of the Retail Offering and Institutional Offering are interconditional and are subject to occurrence of both of the following events:

- (i) all the Offer Shares under the Retail Offering having been subscribed for; and
(ii) all the Offer Shares under the Institutional Offering having been subscribed for.

The minimum number of Offer Shares to be subscribed for pursuant to the Offer for Sale is 543,000,000 KAB Shares to meet the public spread requirement under the Bursa Securities LR and to comply with the National Development Policy.

All the Offer Shares save for 35,000,000 and 415,500,000 Offer Shares under items (i) and (ii) respectively of the Retail Offering and 42,500,000 Offer Shares under the Institutional Offering are fully underwritten at an underwriting commission of 1.50% of the Retail Price. Further details of the Underwriting Agreement are set out in Section III herein.

The gross proceeds from the Offer for Sale will accrue to the Offerors.

The Offer Shares in respect of item (i) of the Retail Offering above are allocated based on the following:

- (i) 2,500,000 of the Offer Shares have been allocated to eligible Directors of KAB as follows:

Directors	No. of Offer Shares allocated
Dato' Low Heong Chow @ Loh Heong Chow	1,000,000
Dato' Quah Teong Moo	1,000,000
Yuen Choong Lai	500,000
Total	<u>2,500,000</u>

- (ii) 18,386,000 of the Offer Shares have been allocated to 1,726 eligible employees of the Kurnia Group based on their position and length of service. Eligible employees must be confirmed permanent employees as at 30 November 2004. Confirmed employees whose employment has been extended under contracts after they have attained statutory retirement age as at 30 November 2004 are also eligible; and

- (iii) 24,114,000 of the Offer Shares have been allocated to 2,476 eligible agents of the Kurnia Group in Malaysia based on their gross premium production level during the financial year 2004 and the number of years of continuous business association with the Kurnia Group. Eligible agents must be registered agents who have generated gross premium production of RM100,000 or more during the financial year 2004, and whose accounts have not been suspended or terminated as at 30 November 2004.

For details on allocation to key management of the Kurnia Group under the preferential share allocation scheme, please refer to Section VI of this Prospectus.

III. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

Any Offer Shares in respect of the above not subscribed for by persons described in item (i) of the Retail Offering above will be reallocated to the other persons within the Kurnia Group who wish to apply for them, subject to the approval of the Directors of KAB. The Offer Shares not taken up after the said reallocation, if any, will be made available for application by the Malaysian public, companies, co-operatives, societies and institutions stated in item (iii) above.

The estimated fees and expenses relating to the Restructuring and Listing Scheme to be borne by the Company amount to approximately RM2 million. Out of the RM2 million estimated fees and expenses, approximately RM1.1 million is provided for fees for professional services rendered by advisers and experts. The underwriting, placement and brokerage fees for the Offer for Sale will be borne by the Offerors.

5. Purposes of the Offer for Sale

The purposes of the Offer for Sale are as follows:

- (i) To provide an opportunity for the public investors, eligible Directors, employees and registered agents of the Kurnia Group in Malaysia, to have direct participation in the equity and the continued growth of the Kurnia Group;
- (ii) To enable KAB, as a listed company, to have access to the equity capital market for funds required for its future expansion and continued growth; and
- (iii) To enable the Company to comply with the National Development Policy by providing an opportunity for Bumiputera investors and institutions approved by the MoF to participate in the equity of KAB.

6. Basis of Arriving at the Retail Price

The Retail Price was determined and agreed upon by the Company and CIMB, as Adviser, Managing Underwriter and Underwriter, after taking into consideration the following factors:

- (i) the Group's operating and financial history and conditions;
- (ii) the future prospects of the industry and of the Kurnia Group;
- (iii) the forecast net PE Multiple of 9.80 times based on the forecast net EPS of 10.20 sen for the financial year ending 30 June 2005;
- (iv) the prevailing market conditions;
- (v) the proforma audited consolidated NTA per KAB Share as at 30 June 2004 of RM0.27, adjusted for a net dividend paid on 3 November 2004 of RM75,000,000 by KIMB; and
- (vi) the qualitative and quantitative factors of the Kurnia Group as outlined in Sections V and IX of this Prospectus.

Investors should note that the Retail Price is subject to the Final Retail Price and that the market price of the Offer Shares upon listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties which may affect the market price of KAB Shares.

III. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

7. Basis of Arriving at the Final Retail Price and the Refund Mechanism

The Institutional Price will be determined using a process known as "bookbuilding" wherein prospective investors will be invited to bid for portions of the Offer Shares and the prospective investors will specify the number of Offer Shares they would be prepared to subscribe for at different prices.

The bookbuilding process is expected to commence on 30 December 2004 and close on 10 January 2005. Upon completion of the bookbuilding process, the Institutional Price will be fixed on the Price Determination Date, which is expected to be on or around 11 January 2005. Agreements will be executed between KAB, CIMB and the respective institutional investors to fix the final number of Offer Shares to be sold at the Institutional Price.

Thereafter, the Final Retail Price will be the lower of:

- (i) The Retail Price; or
- (ii) Not less than 95% of the Institutional Price.

Prospective investors should be aware that the Final Retail Price will not in any event be greater than the Retail Price. In the event that the Final Retail Price is lower than the Retail Price, a refund of the difference will be made to the applicants without any interest thereon.

The refund will be effected via remittances in the form of cheques, which will be dispatched by ordinary mail to the address stated in the Application Form of the successful applicants or to the address as stated in the Bursa Depository records for applicants made via Electronic Share Applications or Internet Share Application at their own risk within twenty one (21) days from the final ballot of application for the Offer Shares.

The Final Retail Price will be announced in widely circulated Bahasa Malaysia and English daily newspapers in Malaysia within two (2) days after the Price Determination Date. In addition, all successful applicants will be informed via written notice of the Final Retail Price in the notices of allotment.

8. Clawback and Reallocation

The allocation of the Offer Shares between the Retail Offering and the Institutional Offering is subject to adjustment. In the event of over-application in the Retail Offering, and a corresponding under-application in the Institutional Offering, the Offer Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering. If there is an under-application in the Retail Offering and there is a corresponding over-application in the Institutional Offering, the Offer Shares may be clawed back from the Retail Offering and reallocated to the Institutional Offering. The clawback and reallocation as set out in this section shall not apply in the event of over-application in both the Retail Offering and the Institutional Offering.

9. Brokerage and Underwriting Commission

Brokerage is payable by the Offerors at the rate of 1.00% of the Final Retail Price for the Retail Offering in respect of successful applications which bear the stamps of CIMB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

III. PARTICULARS OF THE OFFER FOR SALE (CONT'D)

The Underwriters as mentioned in the Corporate Directory of this Prospectus have agreed to underwrite the 50,000,000 Offer Shares which are available for application by the Malaysian public and the eligible Directors, employees and the registered agents of the Kurnia Group in Malaysia. Underwriting commission and managing underwriting commission are relating to the Offer Shares payable by the Offerors at the rate of 1.50% and 0.25% respectively of the Retail Price for each of the 50,000,000 Offer Shares being underwritten, equivalent to a total underwriting commission of RM875,000.00.

The Offerors will also be paying the Sole Bookrunner a management and selling commission and fees at rates totalling not more than 2.75% of the Institutional Price for each Offer Share under the Institutional Offering.

10. Salient Terms of the Underwriting Agreement and Bookbuilding Agreement**(i) Underwriting Agreement**

An underwriting agreement was entered into between the Company, Managing Underwriter and the Underwriters on 21 December 2004 to severally but not jointly underwrite 50,000,000 KAB Shares under the Retail Offering subject to clawback and reallocation, for an underwriting commission of 1.50% of the Retail Price. The salient terms of the Underwriting Agreement are summarised below:

Subject to certain conditions precedent, each underwriter has agreed to underwrite 50,000,000 KAB Shares under the Retail Offering in the proportions set out in the Underwriting Agreement.

The Underwriting Agreement stipulates that any two or more underwriters which have agreed to underwrite more than 50% of the total Shares underwritten by the Underwriters, ("the Majority Underwriters") may elect to treat any material misrepresentation or any material breach of any representation, warranty and undertaking on the part of the Company set out in the Underwriting Agreement as releasing and discharging the Underwriters of their obligations under the Underwriting Agreement. If any condition precedent set out in the Underwriting Agreement is not satisfied on or before a date to be fixed by the Company, Managing Underwriter and the Offerors, for the closing of the Retail Offering, the Majority Underwriters will be entitled to terminate the Underwriting Agreement by notice in writing to the Company, the Offerors and the Managing Underwriter.

The Underwriting Agreement is also terminable upon the occurrence of events including any event of force majeure, any sustained change in national or international monetary, financial (including stock market conditions and interest rates) political or economic conditions or currency exchange rates as would, in the opinion of the Managing Underwriter for the Retail Offering, directly, materially and adversely affect the business, financial condition or prospect of the Kurnia Group or the success of the Offer for Sale.

(ii) Bookbuilding Agreement

Due to the nature of the bookbuilding exercise and the fact that the Institutional Price can only be determined on the Price Determination Date (after the completion of the bookbuilding and in accordance with international practices), the bookbuilding agreement will only be entered into after the completion of the bookbuilding exercise and after the Institutional Price is determined.

11. Approximate Gap Between the Price Determination Date and Trading Date of the KAB Shares

The Offer Shares to be offered in this Prospectus will not commence trading on Bursa Securities until approximately eighteen (18) days after the Price Determination Date. Investors will not be able to sell or otherwise deal in the Offer Shares (except by way of book entry transfer to other CDS accounts in circumstances permitted by Bursa Depository) prior to the commencement of trading on Bursa Securities.

IV. RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, which are not intended to be exhaustive, in addition to all other relevant information contained elsewhere in this Prospectus before applying for the Offer Shares. In the event of any of the following considerations and uncertainties materialise, the Group's operation business and/or financial conditions may be materially and adversely affected.

1. Risks Relating to the Operations and Business of the Kurnia Group

1.1 Dependence on key personnel

The Kurnia Group believes that its continued success will depend, to a large extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the Kurnia Group's Directors or key members of the senior management could affect the Kurnia Group's performance. The Directors of the Kurnia Group recognise the importance of the Group's ability to attract and retain professional managers and skilled, experienced personnel and have in place a human resource strategy that includes a suitable compensation package, as well as a structured succession plan with appropriate career pathing. Efforts are also made to groom the existing staff members to further support the senior management and/or to shoulder further responsibilities in preparation for long-term expansion. However, there can be no assurance that the above measures will always be successful in retaining key personnel or ensuring a smooth transition should changes occur.

1.2 Underwriting risks

Underwriting risks include the risk of incurring higher claims costs than expected owing to the random nature of claims, their frequency and severity as well as the risk of change in legal or economic conditions of insurance or reinsurance cover. This may result in KIMB having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected. The Group seeks to minimise underwriting risks with an approximate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits as well as its historically manageable underwriting experience and tight controls. Several proportional and non-proportional treaties have been entered with various reinsurers and the Group applies high standards in evaluating the credit standing and security of its reinsurers.

1.3 Distribution channels

The Group's gross written premium is highly dependent on its large agency base. Although all agents are appointed under formal agency agreements, there can be no assurance that the level of gross written premium support from each agent will remain consistent under changing business environment from time to time. However, this uncertainty is mitigated by the long-standing business relationships cultivated by the Board and management's continuous relationship, management efforts, and agency-friendly policies of the Group that involve continuous upgrading of facilities for agents to do business with the Group with ease. Additionally, the Group is continuously exploring alternative distribution channels and seeking to further expand the existing agency network to minimise over-dependence on any single group of agents.

IV. RISK FACTORS (CONT'D)

1.4 Competition

The Group faces competition from other locally incorporated general insurers, some of which are listed companies, as well as from foreign-owned general insurers.

In view of the competitive market environment and conditions, the Group continuously develops measures to counter competition which include product differentiation, innovation in products and services offered and customer-focused marketing strategies. Further details of the Group's marketing strategies are set out in Section V(3) of this Prospectus. Notwithstanding that the Group has taken the necessary measures to keep its competitive position in the market, there can be no assurance it will be able to maintain or increase its market share in the future.

1.5 Credit control

As the Group's gross written premium is largely motor-based, it is exposed to credit risk in the collection of its premium receivables. In order to mitigate this risk, the Group seeks to enforce BNM's guidelines on cash before cover for all motor premiums. In addition, the Group has a designated Credit Control Department that monitors closely all premium receivables owing from its agents and other intermediaries, and undertakes vigorous collection efforts through all its marketing personnel located throughout its branch locations as well as other appropriate debt recovery actions. The Group also has in place various controls that limit the exposure to credit risk for each individual agent or intermediary, towards ensuring that any default in payment by certain clients, agents or intermediaries will not have a significant impact on the financial position of the Group in the short or long term.

1.6 Technological change and process development

Whilst ICT is extensively utilised by the Group to improve business processes and automate various daily operations, the risks involved with rapid technological changes or the obsolescence of current technology are only expected to affect the manner in which work is carried out or the work flow process of the Group, and are not expected to present any major detrimental effects on the Group's capacity for business. Furthermore, the Group is continuously exploring other areas of technological improvements, ensuring that its staff are continuously trained to align their skills with the requirements of new technologies and investing in latest equipment to keep abreast with the latest technology.

1.7 Future expansion plans

The Group has been aggressively expanding its business, for which the Group has set out definitive plans that will potentially translate into higher premium income and profit for the Group. Details of the Group's future plans are set out in Section V(7) of this Prospectus. Notwithstanding that the management has conducted careful studies on the plans and their potential impact on the performance of the Group, there can be no assurance that the plans will be carried out as anticipated and if so implemented, will succeed in contributing positively to the performance of the Group.

IV. RISK FACTORS (CONT'D)

2. Investment Risks**2.1 Credit risk**

The Group is exposed to the credit risk of potential losses which may result from the failure of the counter-parties to insurance, reinsurance and investment transactions in meeting their contractual obligations. Recognising this risk, the Group has a credit policy in place and monitors exposure to credit risk on an ongoing basis. In addition, investments are made based on appropriate evaluations, in accordance with formalised investment guidelines, whereby all bond investments must carry a minimum rating of BBB or P3 by rating agencies established in Malaysia. The Group also seeks to limit any over-concentration of credit risk in respect of any one counter-party by adhering strictly to investment guidelines as prescribed by BNM.

2.2 Interest rate risk

The Group's earnings are affected by changes in market interest rates as the impact of such changes has an effect on the income of the Group obtained from interest on deposit placements and fixed income securities. Investment guidelines have therefore been established and policies have been set out by the Group to minimise the risks in the Group's investments. In addition, deposit placements are made with various financial institutions at varying maturity dates and rates.

2.3 Liquidity risk

As with other businesses, the Group is exposed to the risk of being unable to meet its obligations at a reasonable cost or at any time. The Group manages this liquidity risk by monitoring its daily and monthly projected and actual cash flows and by holding a sufficient quantity of liquid investments that can be converted to cash within a short time frame.

2.4 Market risk

The Group's investment portfolio is generally exposed to fluctuations in market prices. This risk is managed via the setting of diversification requirements and investment limits for each investee group. Risks and returns are constantly monitored and reviewed by the Executive Committee of Kurnia Group.

3. Risks Relating to the Shares**3.1 There has been no prior market for the KAB Shares**

Prior to the Offer for Sale, there has been no public market for KAB Shares. There can be no assurance that an active market for KAB Shares will develop upon listing on the Main Board of Bursa Securities or, if developed, that such a market can be sustained.

The Retail Price was determined after taking into consideration a number of factors, including but not limited to, the Kurnia Group's financial and operating history and conditions, its prospects and the prospects for the industry in which the Kurnia Group operates, the management of the Kurnia Group, the market prices for securities of companies engaged in businesses similar to that of the Kurnia Group and prevailing market conditions prior to issuance of this Prospectus.

IV. RISK FACTORS (CONT'D)

The market price at which KAB Shares will trade on Bursa Securities may fluctuate widely, depending upon many factors, including the perceived prospects of the Kurnia Group and the general insurance industries in general, differences between the Kurnia Group's actual financial and operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general economic or market conditions and broad market fluctuations. KAB Shares may trade at prices significantly below the price of the Offer for Sale. There can be no assurance that the Final Retail Price and Institutional Price will correspond to the price at which KAB Shares will trade on the Main Board of Bursa Securities upon or subsequent to their listing.

3.2 Control by substantial shareholders

Following the Offer for Sale, the substantial shareholders of KAB, namely DKSK, DOA and DTTL collectively hold approximately 70.45% of the Company's issued and paid-up share capital. The aforesaid shareholders, if they act together, may be able to influence the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

3.3 Post-Listing Price

There can be no assurance that KAB Shares will be traded at a price higher than the Final Retail Price or Institutional Price following the listing of the KAB Shares on the Main Board of Bursa Securities. The price of the KAB Shares may fluctuate as a result of variations in the operating results of the Group and price fluctuations may be intensified in the event the trading volume of the KAB Shares is low. In addition, the performance of KAB Shares generally on Bursa Securities would be affected by external factors such as the performance of regional and world stock exchanges and the inflow and outflow of foreign funds. Sentiments may also be affected by internal factors such as Malaysian economic and political conditions, and overall market conditions as well as the growth potential of various sectors of the economy. It is thus possible that the KAB Shares will be subjected to price volatility that may have no direct correlation with the Group's net asset value, financial results or performance.

Price volatility may also affect the ability of the shareholders to sell and the price at which the KAB Shares can be sold.

3.4 Possible delay or failure in trading of the Shares

The occurrence of any one or more of the following events may cause a delay in or the abortion of the listing of KAB Shares on the Main Board of Bursa Securities:

- (i) the Bumiputera investors approved by the MoF fail to subscribe to the Offer Shares allocated to them;
- (ii) the eligible Directors, employees and/or registered agents of the Kurnia Group fail to subscribe to the portion of the Offer Shares allocated to them;
- (iii) the Underwriters exercising their rights pursuant to the Underwriting Agreement discharging themselves from their obligations thereunder; or
- (iv) the Company is unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 KAB Shares each, upon completion of the Offer for Sale and at the point of Listing.

IV. RISK FACTORS (CONT'D)

After KAB Shares have been allocated to investors' CDS accounts in Bursa Depository, which would occur at least two (2) clear Market Days prior to the anticipated date for Listing, it may not be possible to recover monies paid in respect of these KAB Shares from KAB in the event the Listing and the commencement of trading on the Main Board of Bursa Securities do not occur. Delays in the Listing and the commencement of trading in shares on Bursa Securities have occurred previously. There can be no assurance of the monies being recovered within a short period of time or at all. Should KAB Shares not be admitted into Bursa Securities, the market for KAB Shares will be illiquid and it may not be possible to trade KAB Shares. This may result in the value of KAB Shares being adversely affected.

3.5 Underwriting risks

The success of the Listing is exposed to the risk that it may fail or be delayed should the Underwriters fail to honour their obligations under the Underwriting Agreement.

4. Forward-looking Statements

This prospectus contains forward-looking statements which involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group, which may affect actual outcomes and thus cause the actual results of the Group or the industry to be materially different from any future results expressed or implied by such forward-looking statements.

The forward-looking statements contained herein reflect the Group's current expectations and assumptions which are considered by the Group to be reasonable at the time of issuance of this Prospectus but which are nevertheless subject to numerous risks and uncertainties, including but not limited to, changes in the economic and political environment and changes in the insurance industry.

These forward-looking statements are made only as at 21 December 2004, being the latest practicable date prior to the issuance of this Prospectus based on historical and currently available data or information and do not constitute a representation that future results will be achieved in the amounts or by the dates indicated. The Group disclaims any obligation or undertaking to release any update or revision of any forward-looking statements contained herein to reflect any change in expectations or circumstances.

5. Political, Economic, Environmental and Social Developments

Like other players in the insurance industry, the Kurnia Group's business, prospects, financial condition and results of operation may be adversely affected by political, economic and social developments in Malaysia. Political and economic uncertainties which the insurance industry is sensitive to include, but are not limited to, the risks of war, terrorism, riots, expropriation, nationalisation, global economic downturn, interest rates, taxation, exchange control and changes in Government policies and legislation. Recognising these risks and in line with BNM's objective, the Kurnia Group plans to take advantage of opportunities offered through the market liberalisation process under ASEAN Free Trade Area ("AFTA") and World Trade Organisation ("WTO") and expand into the ASEAN region, notably Indonesia and the Philippines, by acquiring suitable companies in the respective targeted countries.

6. Government Regulations

The insurance industry in Malaysia is governed by the IA, which is supplemented by the Insurance Regulations 1996. Accordingly, KIMB operates its business pursuant to licenses granted by the Minister of Finance, and is required to comply with various provisions under the IA and Insurance Regulations 1996, including directives and guidelines prescribed by BNM. Changes in laws, regulations or BNM policies could affect the Group's business activities and those of its competitors.

IV. RISK FACTORS (CONT'D)

7. Brand Loyalty

Brand loyalty is a set of brand assets linked to a brand, such as its name and symbol, that add to the value provided by the product to the customers. Consumers buy a product or service of an established brand name due to certain factors associated with that brand name, for example, quality or service. Accordingly, the business of the Group involving general insurance is dependent on the goodwill associated with the 'Kurnia' brand.

No assurance can be given that goodwill in relation to brand loyalty on the brands owned by the Group will persist. However, the Group has taken various measures to continuously maintain and strengthen its brand loyalty through extensive efforts including various promotions and advertisement activities, and customer loyalty programmes such as the KAA membership card under its free roadside assistance service to its policyholders.

8. Profit Forecast

This Prospectus contains the consolidated profit forecast of KAB for the financial year ending 30 June 2005 which has been prepared based on assumptions which the Directors of KAB believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. Owing to the inherent uncertainties underlying the profit forecast and given that events and circumstances may not occur as expected, there can be no assurance that the forecast contained herein will be achieved and the actual results may be materially different from those forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the forecast contained herein.

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