

V. INFORMATION ON THE KURNIA GROUP

1. Information on KAB

1.1 Incorporation

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.

The principal activity of KAB is that of investment holding while the principal activity of its subsidiary, KIMB, is set out in Section V(4) of this Prospectus.

1.2 Changes in Share Capital

The present authorised share capital of KAB is RM1,250,000,000 comprising 5,000,000,000 KAB Shares whilst its issued and paid-up capital is RM375,000,000 comprising 1,500,000,000 KAB Shares.

The changes in the issued and paid-up share capital of KAB since its incorporation are as follows:

Date of allotment	Par Value RM	No. of ordinary shares	Consideration/ Type of issue	Total issued and paid-up share capital RM
16 February 2001	1.00	2	Cash/Subscribers' shares	2
2 August 2004	0.25	8	Share split	2
5 November 2004	0.25	1,312,028,000	Issue pursuant to Acquisition of KIMB	328,007,002
6 November 2004	0.25	187,971,899	Non-Renounceable Rights Issue	374,999,977
17 November 2004	0.25	93	Non-Renounceable Rights Issue	375,000,000

2. Listing Exercise

2.1 Restructuring and Listing Scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of KAB on the Main Board of Bursa Securities, the Company undertook a restructuring scheme which was approved by BNM on 5 May 2004 and the SC as well as SC (FIC) on 12 May 2004. The restructuring scheme involves the following inter-conditional transactions:

(i) Restructuring Exercise

The Restructuring Exercise involves the following:

- (a) Declaration and payment by KIMB of a net dividend of RM75,000,000 on 2 November 2004 and 3 November 2004 respectively to its existing shareholders prior to the Acquisition of KIMB (details as set out in (b) below);
- (b) Acquisition of 200,000,000 ordinary shares of RM1.00 each in KIMB by KAB from all the shareholders of KIMB for a total purchase consideration of RM328,007,000, satisfied by the issuance of 1,312,028,000 KAB Shares at an issue price of RM0.25 per KAB Share credited as fully paid-up;

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

The KAB Shares issued to the vendors pursuant to the Acquisition of KIMB are as follows:

Name	No. of KAB Shares	Total %
KDSB	1,312,027,351	100.0
MoF	472	*
DKSK	177	*
	<u>1,312,028,000</u>	<u>100.0</u>

Note:

* *Less than 0.01%.*

The Acquisition of KIMB was completed on 5 November 2004.

- (c) Implementation of a non-renounceable rights issue of 187,971,992 KAB Shares at an issue price of RM0.33 per KAB Share to its shareholders as follows:

Name	No. of KAB rights shares	Cash subscription RM
KDSB	187,971,899	62,030,726.67
DKSK	93	30.69*

Note:

* *The Board of KAB has re-allocated the excess rights of 67 KAB rights shares arising from the non-subscription by the MoF to DKSK*

The Non-Renounceable Rights Issue was completed on 6 November 2004 and 17 November 2004.

- (d) In order to facilitate the KDSB Capital Repayment, KDSB capitalised the additional reserves arising from the Acquisition of KIMB and Declaration of Dividend as well as its existing share premium ("KDSB Bonus Issue").

The KDSB Bonus Issue involved a bonus issue by KDSB of 348,087,000 new ordinary shares of RM1.00 each in KDSB ("KDSB Bonus Shares") credited as fully paid-up to all shareholders of KDSB whose names appeared in the Register of Members of KDSB.

The issued and paid-up share capital of KDSB after the KDSB Bonus Issue was utilised to implement the Proposed KDSB Capital Repayment as set out below.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

With the sanction of the High Court of Malaya, the KDSB Capital Repayment involved the reduction of KDSB's issued and paid-up share capital of approximately RM391.057 million after the KDSB Bonus Issue by RM390,037,566 equivalent to 390,037,566 ordinary shares of RM1.00 each in KDSB. The reduction of KDSB's issued and paid-up share capital gave rise to a corresponding credit of RM390,037,566 which was utilised by KDSB to distribute a total of 1,499,999,258 KAB Shares held after the Acquisition of KIMB and Non-Renounceable Rights Issue to its shareholders as follows:

Name	No. of KAB Shares entitled
DKSK	1,095,679,494
DKCS	117,221,292
DTTL	190,975,163
DYCH	61,215,241
DOA	34,908,068
Total	<u>1,499,999,258</u>

Pursuant to the Court Order from the High Court of Malaya dated 8 November 2004 and its lodgement at the Companies Commission of Malaysia on 6 December 2004, the shareholders of KDSB became the beneficial owners of 1,499,999,258 KAB Shares.

(ii) Offer for Sale

Following the completion of the Restructuring Exercise and in conjunction with the flotation of KAB, the Offerors will undertake an Offer for Sale of 543,000,000 Offer Shares comprising the Retail Offering and the Institutional Offering.

2.2 Listing and Quotation

Pursuant to paragraphs 2.1(i) and 2.1(ii) above, an application will be made for the admission to the Official List and the listing of and quotation for the entire issued and paid-up share capital of KAB of RM375,000,000 comprising 1,500,000,000 KAB Shares on the Main Board of Bursa Securities.

3. Business Overview**3.1 History and Business**

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, whose registered address is 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, is an investment holding company and its principal subsidiary is KIMB.

KIMB has its registered address and Head Office at Menara Kurnia, Block B4, Pusat Dagang Setia Jaya (Leisure Commerce Square), No. 9 Jalan PJS 8/9, 46150 Petaling Jaya, Selangor Darul Ehsan and presently operates through a wide network of 29 branches, located throughout Malaysia, apart from its Head Office as at 21 December 2004, being the latest practicable date prior to the issuance of this Prospectus. KIMB's principal activity is the underwriting of general insurance.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

KIMB was incorporated on 30 December 1978 as Industrial & Commercial Insurance (M) Bhd. It formally assumed its present name with effect from 30 April 1991 following the acquisition by KDSB in 1991. The take-over marked a fundamental shift in KIMB's business as business volumes soared. Total gross written premiums surged to RM113 million in financial year 1992 from just RM13 million the year before, and have since registered compounded growth of 22.5% per annum to RM1,056 million in financial year 2004.

Statistics	Financial year ended 30 June				
	2000	2001	2002	2003	2004
Gross written premiums (RM 000)	570,875	704,409	873,737	951,497	1,056,291
Annual change (%)	16.0	23.4	24.0	8.9	11.0
Net written premiums ("NWP") (RM 000)	522,500	650,254	789,407	864,195	963,769
Annual change (%)	20.2	24.5	21.4	9.5	11.5
<i>NWP by line of business (%)</i>					
Motor	92.9	93.3	94.5	93.7	93.6
Fire	1.6	1.7	1.3	1.2	1.3
MAT	0.2	0.3	0.4	0.7	0.6
Miscellaneous	5.3	4.7	3.8	4.4	4.5
Total	100.0	100.0	100.0	100.0	100.0
Market share of motor net premiums (%) [#]	17.5	20.0	22.3	22.6	NA [@]

Notes:

[#] Based on BNM Insurance Annual Report 2003.

[@] Information yet to be available as at 21 December 2004, being the latest practicable date prior to the issuance of this Prospectus.

KIMB is the largest general insurer in the country, with a 13.4% market share of total industry net premiums for the year 2003. KIMB provides a full range of general insurance products including motor, fire, personal accident, marine, medical engineering, workmen's compensation and other miscellaneous classes of insurance, but has successfully carved a niche in motor underwriting, with the motor portfolio accounting for 93.6% of the net premiums of KIMB for financial year ended 30 June 2004.

KIMB's market share of motor net premiums of 22.6% for the year 2003 enabled KIMB to maintain its pole position well ahead of competition, with the next largest motor insurer trailing a distant second at 6.6% of the market share of total motor net premiums. KIMB's market leadership is supported by a strong agency force, tight premium accountability and aggressive claims control initiatives. Despite lacking the ready client base advantage of being associated with a bank or corporate group, KIMB has been able to build a sizeable motor account that provides the critical mass for it to operate effectively and efficiently as a motor insurer.

KIMB has also seen an impressive increase of number of policies issued from more than 500,000 in 1993 to 1.2 million in 1997 and a quantum leap to over 3.4 million in 2004.

KIMB is a member of the General Insurance Association of Malaysia or PIAM which constitutes the statutory association recognised by the Government of Malaysia for all registered insurers who transact general insurance business in this country. Other professional associations/memberships in which KIMB is a member of include Motor Insurers' Bureau of West Malaysia, Insurance Mediation Bureau, National Insurance Association of Malaysia, Malaysian Insurance Institute and Financial Mediation Bureau.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Portfolio overview*Motor*

Given its solid presence in the domestic motor insurance business and historically manageable underwriting experience in this segment, KIMB keeps its focus on the motor insurance business and derived over 93.6% of total net written premiums from its motor portfolio in financial year 2004. Private cars dominate the vehicle mix and account for 74.5% of KIMB's total motor gross premiums, with the balance comprising commercial vehicle and motorcycle premiums.

KIMB continued to retain a high proportion of its business in financial year 2004 (94.0% vs 92.9% in previous year for motor class) to illustrate commitment to its own underwriting practices as well as to obtain more favourable rates from its reinsurers, a trend which began in financial year 2000.

Non-motor

After posting continuous growth in the fire segment since financial year 1994, with a slight pause in financial year 2002, KIMB's non-motor insurance net written premiums continued to improve to RM61.4 million in financial year 2004. Financial institutions, with which KIMB maintains reciprocal business relationships, have been the main referrals of the non-motor insurance business of KIMB. Residential properties accounted for about 13.0% of premium from the fire portfolio, with commercial buildings representing the balance.

The Personal Accident ("PA") insurance business, the second largest source of revenue for KIMB in terms of net written premiums, accounted for 1.6% of total net written premiums in financial year 2004, written mainly through agents. PA policies remain a popular cross-selling product marketed to its motor policyholders.

Cargo underwriting largely constitutes KIMB's MAT portfolio. The portfolio's contribution to total net written premiums, whilst insignificant at an average of 0.4% in the last five years, has grown marginally to account for 0.6% of total net written premiums in 2004.

On an overall basis, KIMB's renewal rate improved slightly to 66.1% in financial year 2004 from 66% previously, with the overall renewal rate over the past three (3) years having averaged 65.7%.

Distribution Channels

KIMB is principally a direct underwriter, with inward reinsurance business accounting for a mere 1.3% of its gross premium income in financial year 2004. Direct premiums are almost completely sourced through agents, and to a lesser extent, brokers, with a small amount of business from direct clients. To further entrench its agency strength, KIMB has been on an agent recruitment drive over the last few years to augment its premium production. As at 30 November 2004, being the latest practicable date prior to the issuance of this Prospectus, KIMB has a total of 7,672 agents nationwide. Regular support and servicing of agents by KIMB's executives and management have helped preserve agency loyalty.

KIMB has established a separate corporate department which handles the marketing and servicing responsibilities of corporate customers and brokers. KIMB has also cultivated reciprocal business relationships with certain financial institutions that would channel their customers' insurance requirements to KIMB.

In July 2001, KIMB entered into *bancassurance* arrangement with Hong Leong Finance Berhad ("HLFB") to cross-sell KIMB's motor insurance to the finance company's auto loan customers. KIMB seeks to further expand reciprocal business with other banking groups to enhance premium production under similar arrangements.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Management, Corporate Strategy and Operations**(i) Management**

The Kurnia Group's Executive Committee and senior management team consist of highly experienced and professionally qualified individuals, most of whom have between 10 to 30 years of experience in the insurance industry. KIMB's achievement in 2004 of being the first Malaysian general insurance company to record a billion Ringgit in gross premium and continuous profitability over the last 5 years could be attributed to its aggressive marketing strategies, strong branding, prudent risk and claims management and overall hands-on approach in daily operations by the management team. In fact, these are the key success factors that have led KIMB to become the industry leader today within a decade of its inception.

The Group believes that its manpower is its most valuable asset, and aspires to be the "Employer of Choice" in the insurance industry. The Group takes pride in upholding staff welfare and human resource training and development as one of its corporate missions. To promote teamwork and team spirit, KIMB has successfully launched the Kurnia Corporate Culture Development Programme in 2003. In an effort to promote 'succession planning', KIMB also launched its 'Mentoring Programme' in 2003 with the objective of identifying and grooming potential future leaders. KIMB has initiated a long term and strategic human resources plan called Universal Executive to develop multi-skilled executives who are able to provide one-stop service to the agents and customers.

(ii) Corporate Strategy

A cornerstone of the Group's growth is its effective and dynamic top management adopting a hands-on approach in strategizing and addressing any impediments to growth. The management's commitment to grow its agency network and ensure strong technological and information technology support has provided the platform necessary for the Group to grow ahead of the market.

Leveraging on its vast and still growing agency force, which numbered 7,672 as at 30 November 2004, being the latest practicable date prior to the issuance of this Prospectus, KIMB has embarked on numerous efforts to empower its agents to stay ahead of competitors and compete effectively. For example, the provision of product-knowledge training on both motor and non-motor products as well as the roll-out of the web-based Electronic Agency Management Systems ("e-AMS") allows agents to download up-to-date customer data, submit policy applications directly to KIMB and conduct other types of transactions through the internet. Notably, every KIMB agent can utilise the e-AMS for e-cover notes transactions which will be made compulsory by the Jabatan Pengangkutan Jalanraya ("JPJ") with effect from 2 January 2005 to replace the physical motor cover notes. In short, KIMB is e-cover note ready.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

An important aspect of KIMB's business is its commitment in providing quality service to its policyholders. In October 2000, KIMB launched its own 24-hour free breakdown service, Kurnia Auto Assist ("KAA"), as a value-added service to its comprehensive policyholders. It has since introduced a customer loyalty programme which provides discounts and rebates from participating merchants and service providers. As one of the leading roadside assistance service providers in Malaysia, KAA has a 24-hour hotline to ensure that a trained KAA mechanic can be dispatched immediately to attend to distressed policyholders at any time, round the clock. Assistance rendered can range simply from a tyre change, engine jumpstart or battery replacement to more complicated cases such as accidents involving third party property damage. Additionally, KAA also offers free towing within a prescribed mileage in cases of accidents or breakdowns requiring towing service. With effect from October 2003, the KAA service was extended to third party motor insurance policyholders with Drivers and Passengers Personal Accident covers with minimum gross premium of RM60. To date, KAA has an enviable and growing membership of over one million.

To increase its motor insurance market share by continually providing value-added customer services to its policyholders, KIMB launched Kurnia Express ("KE") on 1 December 2003. It is designed to ensure speed and convenience for motor own-damage claims. KE enables comprehensive policyholders to receive immediate payment, whether by cheque or direct deposit into the policyholders' bank accounts, in respect of claims up to RM3,000 under a quick and easy 3-step procedure. Under KE, policyholders are simply required to contact KAA's 24-hour hotline or any of the KE service centres immediately after an accident, lodge a police report and bring their vehicles to any KE service centre located nationwide together with relevant documents within seven (7) days of the accident. Policyholders will then receive payment immediately upon their claims being approved.

KIMB has also initiated a special task force to handle theft cases to help contain claims arising from theft. The task force also aids in future underwriting by alerting KIMB's distribution sources on anomalous thefts of specific motor vehicles. The task force also aims to introduce measures to reduce theft claims and enhance the prospects of recovery of stolen vehicles by co-operating with the relevant authorities such as the royal Malaysian police and customs department.

In an effort to widen its distribution network, KIMB entered into a *bancassurance* arrangement with HLFB in July 2001 to cross-sell the company's motor insurance to HLFB's auto loan customers. In 2001, KIMB also became one of the joint-venture partners with Pos Malaysia Berhad to facilitate marketing its products and services through Pos Malaysia Berhad's branches nationwide, albeit mainly in motor insurance.

Supported by a strong business presence in motor insurance with the provision of value-added customer services, KIMB expects to benefit from any growth in the consumer motor market in the near term with a positive improvement in the Malaysian economy and robust growth of the Malaysian automotive industry.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

(iii) Operations

In order to continue with its growth strategy and to enhance the effectiveness of all aspects of its business, KIMB undertook a re-organisation of its operations structure that involved the decentralisation of its business to state level. Each state has a state management office, with its own marketing, underwriting and claims function that report to their respective state heads. A senior general manager and two general managers are assigned to oversee and support the state heads in the management of all state operations. A Senior Management Committee comprising of one executive director, chief executive officer, two senior general managers and a general manager was established to oversee KIMB's operations and implement policies set by the Executive Committee. The management believes that the decentralisation process would enhance the effectiveness of all aspects of its business by bringing KIMB closer to its customers and by expediting the decision-making process. This will eventually result in profit enhancement in the long term.

Through a concerted effort and careful implementation of a policy renewal enhancement plan, KIMB, with the assistance of its agents, managed to maintain the average motor renewal ratio of 68.2% for the past three (3) financial years i.e. 2002 to 2004.

The sizeable motor portfolio coupled with tight underwriting and claims controls have enabled KIMB to enjoy respectable underwriting profitability all these years. KIMB believes that effective claims control and achieving critical mass are the keys to maintaining underwriting profitability. Its claims control practices include the aggressive investigation of theft, property damage and bodily injury claims, the annual review of panel workshops to weed out recalcitrant operators, and stringent control over panel lawyers and adjusters. To ensure that its claims management remains under control in view of its rapid expansion in business volumes, KIMB has also increased the number of claims personnel and in-house surveyors who focus on insurance claims that are below a certain amount as KIMB has found based on past experience that these claims have a higher risk of being manipulated.

KIMB also believes that ICT plays an important role in improving internal operating efficiency and is effective in servicing the increased expectations of policyholders. Its management information system is equipped with a comprehensive database that enables detailed analyses to be conducted. The successful integration of its cover note issuance, underwriting and accounting functions in 1998 has significantly improved KIMB's premium accountability and collections. Kurnia enjoys a real time production system, which tracks and monitors KIMB performance on a daily basis.

An ICT laboratory was set up in 2003, allowing KIMB's employees to access new and advanced technological equipment as well as to upgrade their information technology skills. It also serves as a centre for research and development for KIMB to develop innovative products and services to meet growing customers' demands. In line with the Group's vision of a paperless environment, KIMB's existing system will be migrated to a web-based insurance application system. KIMB's existing personal computers, network infrastructure and security will be upgraded to cater for the e-business expansion and a web-based environment called Intergrated Insurance Management System (IIMS). In 2004, KIMB's local area network was upgraded to wireless at all branch offices and the marketing staff were provided with notebooks equipped with KIMB's own proprietary, customised e-MMS (Electronic Marketing Management System) software in line with KIMB's development of Universal Executive. This enables the frontline marketing staff to provide prompt and efficient services to agents and customers nationwide. The increase in productivity and resulting customers satisfaction will ultimately help KIMB maintain its leadership position.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

As testament to KIMB's financial strength and claims paying capability, KIMB has been rated favourably by MARC since 1999. For four (4) years, between 1999 to 2003, KIMB enjoyed an 'A' rating. In 2004, KIMB's rating was upgraded to an 'A+'.

3.2 Management of the Kurnia Group

The Kurnia Group is led by DKSK who has over 30 years of experience in the general insurance business. Assisted by a team of highly experienced, capable and dedicated professionals, the management has successfully positioned the Kurnia Group in a strong leadership position in the Malaysian domestic general insurance market.

The brief profiles of the Directors of KAB and key management of the Kurnia Group are set out in Section VI of this Prospectus.

3.3 Employees and Agents

As at 30 November 2004, being the latest practicable date prior to the issuance of this Prospectus, the Kurnia Group employs a total work force of 1,889 employees, including permanent employees and contract staff who have been employed by the Group, approximately 33% of whom have served the Group for at least six (6) years. None of the employees of the Group is a member of any union and there have been no instances of strike action by the employees since the Group commenced its operations.

The breakdown of the Kurnia Group's permanent and contractual employees and their average number of years of service by categories as at 30 November 2004, being the latest practicable date prior to the issuance of this Prospectus, are as follows:

Category of employee	←-----Number of staff-----→		Average no. of years of service
	Permanent	Contractual	
Managerial	183	7	8.8
Executive	875	2	4.4
Clerical and general workers	818	4	5.2
Total	1,876	13	5.2

The Group places high priority on succession planning and mentoring to ensure continuity in the Group's management team which it believes will in turn ensure future business continuity and maintain its level of competitiveness in the industry.

Towards this end, the Group has put in place a formalised mentoring programme under which all staff are subject to regular guidance, coaching, counseling, and sharing of experiences between senior and subordinate staff, both on and off the job, to nurture and groom the Group's staff under a teacher-student relationship.

Staff with good potential are identified and further developed under the Group's formalised training programmes at various levels of their career path. Such training programmes include both in-house and external training courses that cover technical skills in various aspects of operations, and extend to cover basic and advanced management courses.

The Group continuously provides training to its employees and agents. Apart from the various external courses and seminars, specific in-house technical courses are arranged for its employees. As for the agents, the programmes conducted by the Group between July 2003 and November 2004 are courses in "Basic Course In Non-Motor Insurance", "Engineering Insurance", "Fire Insurance, Claim Procedure & Documentation", "Houseowners, Householdors & Householder Plus", "Miscellaneous Accident Insurance", "Motor Insurance" and "Personal Accident & Medical Insurance".

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

The Group engages a total of 7,672 active agents as at 30 November 2004, being the latest practicable date prior to the issuance of this Prospectus. The breakdown of the Group's active agents categorised by territory (state) as at 30 November 2004, being the latest practicable date prior to the issuance of this Prospectus, is as follows:

States	No. of Agents
Federal Territory of Kuala Lumpur	758
Johor	1,190
Kedah	504
Kelantan	156
Melaka	514
Negeri Sembilan	325
Pahang	333
Perlis	111
Penang	810
Perak	852
Sabah	231
Sarawak	500
Selangor	1,215
Terengganu	173
Total	<u>7,672</u>

3.4 Key Achievements, Milestones and Awards of the Kurnia Group**3.4.1 Key Achievements**

KIMB created a historic "first" among local general insurers in Malaysia in 1997 by reaching a gross written premium total in excess of RM500 million, and became the largest general insurer in Malaysia in terms of gross premium income.

KIMB has maintained its leadership position in the general insurance industry since then, not only in terms of gross premium income but also in terms of net written premium, underwriting profit, total assets and paid-up share capital, as reflected in the following extracts of general insurance statistics according to BNM's Insurance Annual Report 2003:

Analysis by Motor Premium		
No.	Company	Amount (RM 000)
1	KIMB	871,580
2	Malaysia Assurance Alliance Berhad	278,129
3	Uni.Asia General Insurance Berhad <i>(formerly known as South East Asia Insurance Berhad)</i>	257,257

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Analysis by Gross Premium		
No.	Company	Amount (RM 000)
1	KIMB	951,499
2	Allianz General	469,333
3	Malaysia National Insurance Berhad	449,550

Analysis by Net Premium		
No.	Company	Amount (RM 000)
1	KIMB	864,197
2	Malaysia Assurance Alliance Berhad	281,831
3	Uni.Asia General Insurance Berhad <i>(formerly known as South East Asia Insurance Berhad)</i>	265,470

Analysis by Total Assets		
No.	Company	Amount (RM 000)
1	KIMB	1,486,036
2	Malaysia National Insurance Berhad	858,403
3	Allianz General	656,952

Analysis by Underwriting Profit		
No.	Company	Amount (RM 000)
1	KIMB	103,589
2	Uni.Asia General Insurance Berhad <i>(formerly known as South East Asia Insurance Berhad)</i>	41,179
3	Mayban General Assurance Berhad	39,328

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Analysis by Paid-up Capital		
No.	Company	Amount (RM 000)
1	KIMB	200,000
2	Hong Leong Assurance Berhad	200,000
3	Mayban General Assurance Berhad	178,171

(Source: BNM's Insurance Annual Report 2003)

3.4.2 Malaysian Rating Corporation Berhad

MARC has, in the year 2004, upgraded the general insurance financial strength rating of KIMB to "A+" after four years since 1999 of "A", thus reflecting KIMB's leading position in the general insurance market, its strong market penetration particularly into the motor insurance market, its large distribution network and its stringent claims controls.

Year	Area	Credit Rating
March 2004	General Insurance Financial Strength	A+
May 2003	General Insurance Financial Strength	A
March 2002	General Insurance Financial Strength	A
May 2000	Claims Paying Ability	A
February 1999	Claims Paying Ability	A

(Source: MARC, March 2004 report)

3.4.3 International Standardization Organization ("ISO")

ISO 9001 : 2000 International Quality Standard Certification

Committed to being a company of excellence and of quality, KIMB has been ISO certified by Sirim Berhad ("SIRIM") since 1996 and achieved the ISO 9002 certification until the year 2002. The upgrading of its certification to ISO 9001:2000 was achieved in the year 2002, and was further reaffirmed in 2003 and 2004.

In maintaining its total quality system adherence, KIMB's quality plan, procedures manual and core business processes are regularly audited by internal quality auditors in addition to the annual external audit conducted by SIRIM. The level of customer satisfaction is improved through continuous process improvement and service quality upgrading.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)**3.4.4 Other milestones and notable events**

Year	Event
1993	First launched computerised agency Crossed the RM200 million gross premium mark
1995	Crossed the RM500 million mark for total assets
1996	Attained the ISO 9002 International Quality Standard Certification
1997	First Malaysian general insurer to achieve RM500 million gross written premium. Sponsored the Road Safety Campaign "Drive Home Safely" in collaboration with Polis DiRaja Malaysia
1998	Increased paid-up share capital to RM100 million Sponsored the live telecast of the Commonwealth Games held in Kuala Lumpur
1999	Total assets exceeded RM1 billion Increased paid-up share capital to RM150 million First assigned an "A" rating for its Claims Paying Ability by MARC Successfully held the "Kurnia Juara Millennium" / Road Courtesy Campaign in collaboration with the Polis DiRaja Malaysia
2000	First launched KAA in October 2000, a free roadside assistance programme for Kurnia's comprehensive policyholders Sponsored the live telecast of Thomas Cup 2000, semi-finals and final Completed the acquisition of Nusantara Worldwide Insurance
2001	Increased paid-up share capital to RM200 million Moved into a new 25-storey Corporate Headquarters at Menara Kurnia, Leisure Commerce Square, Petaling Jaya, Selangor Darul Ehsan Official launch of Kurnia's Corporate Website and Kurnia Car World portal
2002	Launched the e-AMS Attained the ISO 9001:2000 International Quality Standard Certification Sponsored the live telecast of the "One Nation, We Care" event held at Bukit Jalil stadium
2003	Launched 24-hour claims survey First launched KE claims service Set up the principal office for East Malaysia in Kota Kinabalu, Sabah
2004	Achieved gross premium of RM1,056.3 million, the first general insurance company in Malaysia to cross the RM1 billion mark Upgraded to "A+" rating in respect of general insurance financial strength by MARC

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

4. Subsidiary and Associated Company

4.1 The principal activity of the subsidiary of KAB as at the date of this Prospectus is as follows:

Name	Date of incorporation	Authorised share capital	Issued and paid-up share capital	Effective interest %	Principal activity
Subsidiary KIMB	30 December 1978	RM300,000,000	RM200,000,000	100.00	Underwriting of general insurance

KAB does not have any associated company as at the date of this Prospectus.

4.2 KIMB**History and Business**

KIMB was incorporated in Malaysia on 30 December 1978, under the name Industrial & Commercial Insurance (Malaysia) Berhad. On 30 April 1991, the Company assumed its present name.

Share Capital

KIMB's present authorised share capital is RM300,000,000 comprising 300,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each.

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V. INFORMATION ON THE KURNIA GROUP (CONT'D)

The changes in the issued and paid-up share capital of KIMB since its incorporation are as follows:

(i) Ordinary Shares

Date of allotment	No of ordinary shares allocated	Par value RM	Consideration/Type of issue	Total issued and paid-up share capital RM
30.12.1978	3	1.00	Subscriber's shares	3
19.09.1979	600,000	1.00	Cash	} 1,012,930
	412,927	1.00	Other than cash	
18.11.1980	487,073	1.00	Other than cash	1,500,003
07.12.1983	1,500,003	1.00	Cash	3,000,006
28.12.1984	1,285,716	1.00	Cash	4,285,722
14.03.1985	2,142,859	1.00	Cash	6,428,581
04.12.1996	1,863,143	1.00	Conversion from RPS*	8,291,724
23.09.1997	21,708,276	1.00	Bonus issue	30,000,000
29.06.1998	70,000,000	1.00	Bonus issue	100,000,000
30.08.1999	50,000,000	1.00	Bonus issue	150,000,000
20.12.2000	50,000,000	1.00	Bonus issue	200,000,000

(ii) Redeemable Preference Shares ("RPS")

Date of allotment	No of RPS allocated	Par value RM	Consideration/Type of issue	Resultant capital RM
04.06.1987	803,572	1.00	Cash	803,572
31.12.1987	1,285,714	1.00	Cash	2,089,286
30.05.1988	3,000,000	1.00	Cash	5,089,286
26.11.1988	4,000,000	1.00	Cash	9,089,286
30.12.1988	1,000,000	1.00	Cash	10,089,286
26.01.1990	3,500,000	1.00	Cash	13,589,286
31.01.1990	1,500,000	1.00	Cash	15,089,286
30.08.1990	5,000,000	1.00	Cash	20,089,286
13.07.1991	2,200,000	1.00	Cash	22,289,286
21.05.1996	1,000,000	1.00	Other than cash	23,289,286*

V. INFORMATION ON THE KURNIA GROUP (CONT'D)*Note:*

- * The RPS were converted into ordinary shares on the basis of two (2) ordinary shares of RM1.00 each for twenty five (25) RPS on 4 December 1996.

Substantial shareholder

KIMB is a wholly-owned subsidiary of KAB.

Subsidiary and Associated Company

KIMB does not have any subsidiary or associated company.

5. Industry Overview

The following information has been extracted from the various Government and publicly available documents, namely the Insurance Annual Report 2003 issued by BNM, the Eighth Malaysia Plan 2001-2005 and the Economic Report 2004/2005 issued by the MoF.

5.1 Overview of the Insurance Industry

The insurance industry continues to play an important role in the economy by facilitating economic risk transfers and mobilising long-term savings to support economic growth. The industry, comprising life insurance and general insurance business, continued its strong growth momentum in the first six (6) months of 2004, supported by the improving economy.

(Source: Economic Report 2004/2005)

	End 2003	End June 2004 ^P
General Insurance (RM million)		
Premium income:		
Gross direct premiums	8,186.3	4,407.2
Net premiums	6,437.9	3,401.1
Reinsurance placed outside Malaysia	1,084.1	542.0
Retention ratio ¹ (%)	85.6	86.3
Number of Insurance Companies		
Direct:	43	43
Life	7	7
General	27	27
Composite	9	9
Reinsurance:	10	10
Life	1	1
General	8	8
Composite	1	1

^P Preliminary data

¹ Net premiums to gross direct and reinsurance accepted premiums less reinsurance within Malaysia

(Source: Economic Report 2004/2005)

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

	End 2003	End June 2004 ^P
Assets of General Insurance Funds		
(RM million)		
Fixed assets	734.3	726.4
Loans	242.4	220.4
Government securities	1,922.1	1,830.5
Government guaranteed loans	30.2	10.1
Corporate and debt securities	5,370.8	5,578.4
Investment properties	454.6	435.4
Cash and deposits	6,010.4	6,045.8
Other assets	1,846.7	1,881.6
Total	16,611.5	16,728.6

^P Preliminary data

* Includes other investments and foreign assets

(Source: Economic Report 2004/2005)

5.2 Performance of General Insurance Business

Growth in the general insurance sector moderated in the first six (6) months of 2004, with slower growth rates observed in most classes of business, including the two major classes of motor and fire business. Total gross direct premiums increased by 4.1% to RM4,407 million. Motor insurance business remained the largest category, contributing 42.8% to total gross direct premiums.

The overall retention ratio for general insurance business increased to 86.3% in the first six months of 2004 following the higher retention registered by both direct insurers and professional reinsurers, particularly in the fire class of business. With the increase in net premiums retained and positive investment results, operating profits in the general insurance sector reached RM674 million. Total general insurance fund assets increased marginally to RM16,729 million at end-June 2004.

(Source: Economic Report 2004/2005)

5.3 The Insurance Act 1996 and Its Administration**5.3.1 Legislation**

The insurance industry in Malaysia is governed by the IA that came into force on 1 January 1997. The IA is supplemented by the Insurance Regulations 1996 which prescribes the details of the mandatory requirements contained in certain provision of the IA. In addition, the IA also empowers BNM to specify matters pursuant to the provisions of the IA.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

5.3.2 Licensing and Market Structure

As at the end of 2003, the total number of licensees in the insurance industry stood at 127, comprising 53 insurers, 35 brokers and 39 adjusters as shown below:

Number of Licensees

As at the end of December	2002	2003
Direct insurers		
Malaysian-incorporated	42	41
Foreign-incorporated	2	2
Professional reinsurers		
Malaysian-incorporated	2	2
Foreign-incorporated	8	8
Total insurers	54	53
Insurance brokers	35	35
Adjusters	40	39

(Source: BNM's Insurance Annual Report 2003)

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V. INFORMATION ON THE KURNIA GROUP (CONT'D)

The licensed insurers involved in general insurance business as at the end of 2003 are as follows:

Insurers (general insurance business) licensed under the IA

Name of Insurer	Year of Licence
General Business Only:	
ACE Synergy Insurance Bhd	1963
Allianz General Insurance Malaysia Bhd	1973
American Home Assurance Company (United States of America)	1963
AMI Insurans Bhd	1980
Asia Insurance (Malaysia) Bhd	1963
Aviva Insurance Bhd	1987
AXA AFFIN Assurance Bhd	1975
Berjaya General Insurance Berhad	1980
Jernih Insurance Berhad	1970
Kurnia Insurans (Malaysia) Bhd	1980
Lonpac Insurance Bhd	1963
Malaysia & Nippon Insurans Bhd	1976
Mayban General Assurance Berhad	1963
Mitsui Sumitomo Insurance (Malaysia) Bhd	1979
MUI Continental Insurance Bhd	1976
Multi-Purpose Insurans Bhd	1975
Overseas Assurance Corporation (Malaysia) Bhd	1963
Oriental Capital Assurance Bhd (<i>formerly known as United Oriental Assurance Bhd</i>)	1977
Pacific & Orient Insurance Co. Bhd	1974
Pacific Insurance Bhd, The	1984
PanGlobal Insurance Bhd	1970
Progressive Insurance Bhd	1976
QBE-MBF Insurans Bhd	1987
RHB Insurance Bhd	1979
Royal & Sun Alliance Insurance (M) Bhd	1976
Tokio Marine Insurans (M) Bhd	1963
Uni.Asia General Insurance Berhad (<i>formerly known as South East Asia Insurance Berhad</i>)	1977

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Name of Insurer	Year of Licence
Life and General Business:	
AmAssurance Bhd	1983
American International Assurance Company Ltd (Hong Kong)	1963
Hong Leong Assurance Bhd	1972
ING Insurance Bhd	1976
Malaysia National Insurance Bhd	1970
Malaysian Assurance Alliance Bhd	1970
MCIS Zurich Insurance Bhd	1963
Prudential Assurance Malaysia Bhd	1984
Tahan Insurance Malaysia Bhd	1974

(Source: BNM's Insurance Annual Report 2003)

5.3.3 Margin of Solvency

Part IX of the Insurance Regulations 1996 prescribes the margin of solvency required to be maintained by licensed insurers for each class of insurance business. For general insurance business, margin of solvency required to be maintained is the aggregate of a specified percentage of claims or net premiums, whichever is the higher, plus total liabilities of the general insurance fund determined at the end of the financial year.

(Source: BNM's Insurance Annual Report 2003)

5.3.4 Insurance Guarantee Scheme Fund

Section 173(1) of the IA empowers BNM to establish and maintain a separate Insurance Guarantee Scheme Fund ("IGSF") for general business and life business in respect of Malaysian policies for the purpose of partially meeting the liabilities of any insolvent insurer. The IGSF is funded mainly from levies imposed on licensed insurers. Currently, levies are imposed only for general insurance business.

(Source : BNM's Insurance Annual Report 2003)

5.4 Policies and Developments : General Insurance

Aside from efforts undertaken under the Financial Sector Master Plan ("FSMP"), the following initiatives have also been implemented to improve market practices and underwriting skills in the general insurance sector:-

5.4.1 Motor Insurance Initiatives

To improve market practices in the conduct of motor insurance, the following measures were undertaken by PIAM with the support of BNM:

(i) Centralised Database for Motor Repairs Estimation

The centralised database for motor repairs estimation was established in October 2001 with the objective of minimising subjectivity in motor repairs estimation. Reference to the centralised database by insurers, adjusters and repairers is a requirement for all own damage claims. The use of the database would be expanded to include third party claims in the future.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

(ii) Motor Anti-Theft Program

Initiatives taken by PIAM in 2003 to counter the growing vehicle theft problem were as follows:-

- (a) proposed incentives in the form of premium discount to policy owners for new vehicles which are fitted with approved pre-installed anti-theft devices. This initiative is expected to provide the impetus for installation of security features by vehicle manufactures;
- (b) established a database on stolen vehicles to facilitate tracking and monitoring of trends and characteristics of motor vehicle theft claims; and
- (c) set up a Motor Vehicle Theft Prevention and Recovery Activities fund which would be used to provide financial assistance to the police in their efforts to investigate and prevent motor vehicle theft. The application of the fund is subject to the approval of the management committee of PIAM on a case-by-case basis.

5.4.2 Trade Credit Insurance

In an effort to promote trade and increase the accessibility of trade credit insurance facilities, with effect from 30 October 2003, eligible general insurers are allowed to underwrite trade credit insurance, subject to the prior approval of BNM. Among the criteria for approval include strong financial standing, favourable supervisory risk assessment by BNM, good underwriting track record and necessary expertise to underwrite the business.

5.4.3 Guidelines on Claims Settlement Practices

The Guidelines on Claims Settlement Practices were revised in 2003 to incorporate improvement measures undertaken by both BNM and the insurance industry in line with market developments, as well as to specify measures to minimise fraud and enhance handling and settlement of claims processes. The new measures introduced in the guidelines include establishment of claims servicing counter to assist policy owners on claims related matters, requirements for itemised claims approval, fraud control measures and compulsory reference to the centralised database for motor repairs estimation.

5.4.4 Regulation of Third Party Call Centres

Following the approval granted by BNM for insurers to outsource their marketing functions to Third Party Call Centres ("TPCCs"), PIAM has drawn up criteria for the registration of TPCCs. This is to ensure that TPCCs provide professional services to potential policy owners. Hence, only TPCCs registered with PIAM can be appointed by insurers to carry out tele-sales activities.

5.4.5 Minimum Maintenance Contract Requirement for Agents

With effect from 1 July 2003, general insurance agents are required to achieve a minimum maintenance contract of RM20,000 gross premiums per agency during either the first or second year within the two-year validity period of the Certificate of Registration of an agent. Failure to achieve the minimum amount will result in the agent not being able to renew his certificate or apply for registration as an agent for a period of twelve (12) months. This move would ensure the only professional, committed and productive agents remain in the industry to service the insuring public.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

5.4.6 Translation of Policy Documents into Bahasa Malaysia

Motor insurance documents, including simplified policy wordings, endorsements and warranties have been made available in Bahasa Malaysia and ready for implementation by insurers from 1 January 2004. The Bahasa Malaysia documents not only promote the use of the national language, but also complement the industry's initiative to promote a better understanding of policy documents by policy owners.

5.4.7 Review of the Role and Function of PIAM

In 2003, PIAM reviewed its existing role and function as a mandatory body representing general insurers in Malaysia. The review was undertaken as part of the industry's effort to strategise the general insurers to better face challenges with the impending liberalisation of the industry. The key recommendations from the review would be adopted for implementation to ensure that PIAM remains relevant and effective in a liberalised environment.

(Source: BNM's Insurance Annual Report 2003)

5.4.8 Circular JPI:16/2003 on Corporate Governance Standards

The circular on Corporate Governance Standards was issued by BNM in May 2003 and applies to all insurers and reinsurers incorporated in Malaysia covering corporate governance standards in respect of (1) terms of reference of the nominating, remuneration and risk management committees; (2) minimum qualification standard and training requirements for directors; and (3) definition and responsibilities of an independent director. The circular is aimed at ensuring the establishment by insurers of (1) a formal and transparent procedure for the appointment of directors and key senior officers, as well as an objective and transparent mechanism for the assessment of the effectiveness of individual directors, the board as a whole and key senior officers on an on-going basis; (2) a formal and transparent procedure for developing policies on the remuneration of directors and key senior officers and setting the remuneration packages for them; and (3) a mechanism to ensure disciplined and consistent application of risk management principles to ensure insurers properly manage their risks.

5.4.9 Guidelines on Anti-Money Laundering Measures for the Insurance Industry

As part of the commitment of BNM to co-ordinate and enforce systematic anti-money laundering measures in the financial system, the Guidelines on Anti-Money Laundering Measures for the Insurance Industry were issued by BNM to insurance licensees in April 2001 with the purpose of providing an Anti-Money Laundering Framework ("AML Framework") to guide insurance licensees in putting in place a set of transparent, explicit and clear policies, procedures as well as controls to implement and enforce effective anti-money laundering measures. The AML Framework is based on the International Association of Insurance Supervisors' principles which basically promulgate the concept of due vigilance of insurance licensees to verify the identity of customers, keeping of records, recognition and reporting of suspicious customers or transactions as well as to provide regular training to key personnel in this regard. Under the Guidelines on Anti-Money Laundering Measures for the Insurance Industry, insurance licensees are required to immediately report any suspicious transactions to BNM.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

5.4.10 Developments of Corporate Governance

In October 2003, general insurers were required to incorporate a clause in their Memorandum and Articles of Association providing for one-third of the directors of the insurer(s) to retire from office by rotation. The issue of revised application forms and additional information from candidates nominated on appointments or reappointments on past business and professional conduct brought about more effective supervision by BNM. This requirement also aids BNM in assessing contributions made by individual directors to the development of insurers. Furthermore, in late 2003, general insurers had to specifically disclose the aggregate remuneration of directors and Chief Executive Officers ("CEOs") in their annual financial statements, which began on or after 1 July 2003. In February 2004, appointed actuaries had to fulfil the fit and proper requirements. Licensed insurers were to implement a system whereby directors, CEOs and managers would be fit and proper at all times. If any officers had multiple positions in a licensed insurance company, there could be a conflict of interest in such a situation. Therefore, where such appointments persist, notification is to be given to BNM so that assessments can be made as regards to potential conflicts.

The year 2004 should expect further requirements being imposed on auditors; in particular attention will be drawn to the role and responsibilities of external auditors.

5.4.11 Implementation of Electronic Motor Cover Notes System

On 1 October 2004, JPJ launched the e-cover notes system whereby physical cover notes were replaced by electronic cover notes for road tax issuance and renewal. With effect from 2 January 2005, JPJ will only accept e-cover notes for road tax issuance. To ensure the smooth implementation of the e-cover notes system, insurers are required to immediately establish electronic linkage with all their agents, latest by 31 December 2004. The linkage is to enable real-time transmission of cover note information from agents to insurers for onward transmission to JPJ.

5.5 An Overview of the Financial Sector Master Plan

Financial Sector Master Plan ("FSMP"), was introduced in 2001 to be implemented during the 8th Malaysia Plan period from 2001-2005, to provide the framework for the development of the insurance industry. The overall objective of the FSMP is to build an efficient, effective and stable financial sector that supports both the needs of the real economy and the socio-economic objectives of the country. The FSMP is also aimed at building at the core of this financial system, strong domestic insurers able to provide Malaysian consumers with world-class products and services, while meeting international commitments to liberalise the sector in the medium term, thus enabling the insurance industry to be financially resilient, innovative, productive and cost efficient as well as able to mobilise long-term savings, adopt international best practices and display high professional ethics and standards.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

The full implementation of the FSMP will be undertaken in three phases over a 10-year period ending in 2010. Phase I will involve building up the capabilities of domestic insurers by allowing them greater operational and management flexibility to develop and optimise on skills, scale and technology. For this purpose, deregulatory measures will be taken in areas that will encourage innovation in the market, allow insurers access to a broader product range and leverage on distribution channels as well as promote greater competition among domestic insurers. Phase II will focus on strengthening the financial resilience of insurers and enhancing consumer protection which is expected to lead to industry consolidation and the convergence of performance standards in the domestic industry towards best practice and performance benchmarks. This will also serve to establish the foundation necessary to support a greater role for market discipline to complement regulation and supervision of the insurance industry as well as to prepare the industry for the third phase which will entail progressive liberalisation of the insurance sector. Under Phase III, Malaysian consumers will be provided with greater access to world-class products and services, while the insurance industry is expected to be competitive internationally. The pace at which measures under the FSMP will be implemented and determined based on periodic reviews carried out to gauge the progress made by domestic insurers.

Efforts will also be continued to optimise the retention of insurance premiums within the country. In this regard, BNM will monitor closely the reinsurance programmes of individual reinsurers to ensure that they maximise local insurance before reinsuring abroad. The capacity of Malaysian insurers to retain larger risks will be strengthened through the consolidation and increased capitalisation of the insurance industry. In addition, the reinsurance underwriting skills and expertise will be further enhanced through technology transfer by the foreign professional reinsurers as well as the experience and knowledge gained from implementing the Scheme for Insurance of Large and Specialised Risks.

The progress that has been made in achieving the long-term strategic vision for the insurance industry under the FSMP can be appraised from the following key initiatives undertaken:

(i) Consumer Protection

An important component of the FSMP involves specific measures to enhance the consumer protection infrastructure to ensure the orderly development of the insurance industry in meeting the socio-economic objectives of the country. To this end, significant progress was achieved with the implementation of several key measures, as follows:

- The **guidelines on unfair practices** were introduced with the aim to promote fair treatment of consumers in the conduct of insurance business. An insurer or any person acting on its behalf is prohibited from engaging in any activity that constitutes unfair practices in the business of insurance. Practices that are deemed unfair include false advertising of insurance policies, coercive tied selling practices, unfair discrimination and contract terms and default selling via automatic enrolment schemes. In addition, several disclosure requirements were imposed on insurers to raise consumers' awareness on their insurance dealings.
- To enhance the **professionalism of the insurance agents**, the minimum entry requirement for the agency force was raised. Additional compulsory examinations will be introduced as part of continuing education programmes for insurance agents. The new requirements are as follows:
 - (a) the minimum entry requirement was raised to Sijil Pelajaran Malaysia or Malaysia Certificate of Education qualification or its equivalent qualification for new general and life insurance agents with effect from 1 April and 1 September 2003 respectively;

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

- (b) a minimum of 20 hours of training under the Continuous Professional Development (“CPD”) each year for both the general and life agency force with effect from 1 January 2004. The minimum training requirement will be increased to 30 CPD hours with effect 1 January 2005 for all life insurance agents; and
- (c) mandatory screening of new agents, particularly on criminal records and creditworthiness, to weed out agents found to be involved in fraudulent, unethical and unprofessional practices.

These measures will be phased in over the period 2003 to 2005 to facilitate gradual and smooth implementation.

- A **10-year consumer education programme** for the insurance and takaful sectors was launched in August 2003 to improve the level of consumer awareness and appreciation of insurance. Known as *InsuranceInfo*, the programme is a collaborative effort of BNM, insurance and takaful industries to assist consumers to make well-informed decisions in selecting insurance and takaful products and services as well as to understand their rights and responsibilities under a policy contract.
- The concept of the establishment of **Financial Mediation Bureau (“FMB”)**, a one-stop centre for the handling consumer complaints, was finalised in 2003 and is expected to commence operations in 2004. The FMB, with expanded terms of reference, will integrate the functions of the existing Insurance Mediation Bureau and Banking Mediation Bureau to effectively mediate complaints lodged by consumers against financial institutions under the purview of the Bank. It is envisaged that with the new mediation bureau, the complaints resolution mechanism will be more effective and efficient in serving the insuring public.
- The development of a comprehensive **framework for the introduction of financial advisers (“FAs”)** to enhance professionalism in the sale of financial products as well as to provide an alternative distribution channel for life insurance products was actively pursued in 2003. The introduction of FAs is expected to increase the level of life insurance market penetration in Malaysia and to lower the acquisition costs for new business.
- To avoid public confusion over **Arabic terms or the word ‘Shariah’** used by certain conventional insurers for some of their insurance products, effective from December 2003, insurers are prohibited from using any terms or words that may mislead the public, particularly by labelling the product as Islamic or Shariah compliant. Insurers can, however, use certain specific terms that relate to Islamic/Shariah private debt securities to describe the nature of the product or fund. The requirements apply to all types of basic or rider products, including existing products, for both life and general insurance businesses.

(ii) Enhanced Corporate Governance Standards

As part of the ongoing efforts to promote sound financial and business practices in the insurance industry, several corporate governance initiatives were introduced in 2003 to further strengthen board effectiveness and accountability. The measures include the requirements for insurers to establish specific board committees and undertake minimum training and education requirements for directors as well as further measures to strengthen the independence function of the board. For greater transparency, insurers are required to make specific disclosures on the remuneration of directors and chief executive officers.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

(iii) Strengthening Performance-based Supervision

To strengthen the performance-based supervision function of BNM, several enhancements to the various information technology (IT) systems and reporting requirements of insurers were completed during the year. The enhanced Alert and Warning System (AWAS) and Actuarial Valuation Statistical System (AVSS) will facilitate detailed analysis of insurers' financial performance and highlight potential problems for more effective and timely supervisory intervention. The enhancement to the Insurance Companies Statistical System (ICSS) was carried out to reflect the changes and developments in the accounting and reporting environment, as well as to improve the format for data presentation to facilitate analysis of insurers' performance.

Following the implementation of the electronic on-line submission system for general reinsurance arrangements in 2001, BNM further developed an on-line submission for life reinsurance arrangements. Both the systems were subsequently integrated into one common submission system called Reinsurance System (REINS), which was officially launched on 22 December 2003. The system was implemented for reinsurance treaties commencing on and after 1 January 2004. The implementation of the system will enable comprehensive analysis of the life and general reinsurance arrangements of insurers and thereby assist in the formulation of appropriate policies on reinsurance.

(iv) Building Financial Resilience

The adoption of the risk-based capital framework for insurers allows insurers greater flexibility in maintaining sufficient capital funds to support their risk profiles, asset structure and business mix, and will serve as a more effective buffer against business volatility as compared with the existing statutory solvency framework. Initial work on the development of the framework was actively pursued by BNM and the industry in 2003. A preliminary concept paper outlining the guiding principles for the proposed framework, and the various types of risk to be covered, was issued in early 2004. Further impact studies are being conducted on the proposed framework which is slated for implementation in 2006.

(Source : Eighth Malaysia Plan 2001-2005 and the BNM's Insurance Annual Report 2003)

5.6 Past Performance of the Insurance Industry : Progress from 1996-2000

Total assets of the insurance industry increased at an average rate of 14.6% from RM25.5 billion in 1995 to RM50.3 billion in 2000, despite the dampening effects of the 1997 crisis. Such assets accounted for 4.0% of the total assets of the financial system. The insurance industry continued to provide important source of funds for capital development in the country. Investment in corporate debt securities grew at an average rate of 31.2% per annum and accounted for 40.9% of insurance funds as at the end of 2000. On the other hand, investment in Government papers and loans guaranteed by the Government remained unchanged and accounted for 13.7% of the assets of the insurance funds. Cash and deposits grew by 10.3% per annum to RM10.5 billion or 21.2% of the total assets in 2000.

During the period 1996-2000, the combined premium income of life and general insurance increased at an average rate of 11.5% per annum. Premium income of the industry as a percentage of nominal Gross National Product ("GNP") increased to 4.6% in 2000 from 3.7% in 1995. Total benefits and net claims paid out by the industry increased by 19% per annum to RM5.5 billion in 2000.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Total assets of general insurance funds increased by 73.4% or at an average annual rate of 11.6% from RM7.9 billion in 1995 to RM13.7 billion in 2000. Total premium income of the general insurance industry recorded an average annual growth of 7.4% per annum. The ratio of premium income of the general insurance industry to nominal GNP remained unchanged at 1.7% in 2000 compared with 1995.

With the introduction of the revised IA, replacing the Insurance Act 1963, various policies were implemented from 1996-2000, aimed at consolidating the insurance industry, strengthening public confidence in the industry, improving its competitiveness, and enhancing its role in the development of the economy. Towards this end, measures were undertaken to build up the financial strength of insurers through the imposition of higher minimum paid-up capital requirements for insurers.

Another measure taken to create stronger insurers was by consolidating the insurance industry through Merger and Acquisition ("M&A"). During the period from 1996-2000, the Government continued to pursue this initiative by various means, including offering a package of incentives to encourage M&As and compliance with operating cost control guidelines as well as granting of *takaful* licences and tax incentives.

In the general insurance sector, various initiatives were taken for the improvement of insurance services, particularly in respect of handling of insurance claims as well as in ensuring fair pricing of insurance products. The positive response of insurers to the Government's call and other measures taken to optimise the retention of premium within the country also resulted in the net retention ratio improving from 74.4% in 1995 to 89.6% in 2000.

(Source : Eighth Malaysia Plan 2001-2005)

5.7 Outlook for the Insurance Industry : 2001 - 2005

Under the Eighth Malaysia Plan, the finance, banking and insurance sector is expected to expand by 8.5% per annum. Emphasis will be focused on the rationalisation and strategic positioning of the sector in a rapidly changing financial landscape driven by advances in technology, globalisation of financial markets and increasing reliance on knowledge for value creation. Towards this end, the FSMP has been introduced together with the Capital Market Master Plan to provide a comprehensive framework for the strategic development of the financial sector over a 10-year period. As part of the effort to create a strong, resilient and competitive financial sector that will provide the catalyst for higher growth in the economy, the strategies adopted under the Eighth Malaysia Plan include the further strengthening of the insurance industry to facilitate more effective risk transfers as well as to mobilise resources for long-term financing. With the FSMP in place and the positive advances that have been seen in the insurance industry as a result of its implementation, there is much potential for growth, development and improvement in the insurance industry to continue to play an important role in the Malaysian economy.

(Source : Eighth Malaysia Plan 2001-2005)

6. Major Customers

The Kurnia Group does not have any customers that contribute 10% or more of the Group's gross premium income for the financial year ended 30 June 2004 as the Group's core business is spread over a large customer base of over 3.4 million policies, with approximately 96% representing individual retail customers.

The 10 largest policyholders, representing corporate customers, accounted for approximately 2% of gross premium income for the financial year ended 30 June 2004.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

7. Future Plans and Business Strategies

(i) Enlarging domestic market share of core business

One of the Kurnia Group's long-term goal is to further enlarge its domestic market share with motor insurance as its core business line. This will strengthen its position as the distant market leader.

Kurnia Group will continue to explore and expand further on the range of innovative motor products that can be offered to its existing policyholders.

Kurnia Group plans to deepen its market penetration by enlarging its present branch network to reach out further to its current and potential policyholders. It also seeks to enhance its present distribution channels that have yet to be fully explored, including expanding the *bancassurance* channel by seeking tie-ups with additional banking institutions to market personal line products, as well as tie-ups with professional insurance brokers to target small and medium industries and corporate clients to develop large and specialised risks.

In addition, the Group also plans to develop a holistic and integrated customer relationship management system to serve its policyholders, agents and business partners better.

It has also submitted a proposal to BNM for approval to implement an innovative marketing plan called Kurnia i-store to reach out to more customers.

The Group will also continue to explore the potential of web-based internet marketing as an additional channel for policy renewals and to market personal line packages.

(ii) Portfolio Diversification

The Group will also continue to seek opportunities in the non-motor segments, particularly fire, property and large and specialised risks segments. With support from a team of experienced underwriters coupled with the expertise it could leverage on with its reinsurers, Kurnia Group is confident of its ability to underwrite prudently such non-motor segments.

The Group has launched two (2) new medical products namely MediGuard and MediGuard Express in December 2004 to take advantage of the fast growing medical segment.

Although Kurnia Group envisages organic expansion rather than acquisition for future growth, it does not discount the possibility of expediting growth in its non-motor portfolio through acquisition of other suitable non-motor based general insurance companies.

(iii) Expanding its presence in the ASEAN region

In line with BNM's objective, and taking advantage of opportunities offered through the market liberalisation process under AFTA and WTO, the Kurnia Group plans to expand into the ASEAN region, notably Indonesia and Thailand, by acquiring suitable companies in the respective targeted countries.

The Group will utilise its vast experience in general insurance and deploy its extensive range of proven insurance business processes, and its ready ICT platform, into its carefully selected acquired companies. With the expertise of its strong network of reinsurers that it can leverage on, and with appropriate customisation of its business processes to local practices and requirements, the Kurnia Group is confident that it will be able to tap and penetrate into local markets quickly to take advantage of the growth in these emerging markets.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

(iv) Improving claims management, cost efficiency and productivity

Apart from new products and distribution channels, the Kurnia Group will continue to strengthen its claims management and simplify claims processes to save costs. It further plans to develop programmes and work closely with the relevant authorities and fellow industry players to find suitable and effective remedies to combat insurance frauds.

The Kurnia Group will continue to introduce various measures including its investment in ICT with the objective of improving staff and agents' productivity, enhancing customer service and convenience, and managing operating costs more effectively.

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V. INFORMATION ON THE KURNIA GROUP (CONT'D)
8. Landed Properties

Details of landed properties of KAB and its subsidiary are as follows:

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
1. KIMB	3-storey terraced corner shophouse bearing postal address Lot 665, Jalan Permaisuri, 98000 Miri held under issue document of title Lot 665, Block 9, Miri Concession Land District, Miri, Sarawak.	Not available [#] 22 December 2003 ^(C/70)	Office	397.15	166.00 Leasehold of 60 years ending 17 September 2052	Building The land is to be used only as a 3-storey terraced building for commercial & residential purpose in the manner following: Ground floor – commercial First floor – commercial Second floor– 1 family dwelling unit	1,245,398.88

Any alteration to the existing building on this land or any new building to be erected thereon shall be in accordance with plans sections & elevations approved by Superintendent of Lands & Surveys, Miri Division and shall also be in accordance with detailed drawings and specifications approved by the Miri Municipal Council and shall be completed within one (1) year from the date of such approval by the Council.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
2. KIMB	4-storey terraced corner shop/office bearing postal address No. 32, Beta Ria Business Centre, Jalan Durian Emas 4, Off Jalan Dato' Siamang Gagap, 70100 Seremban held under issue document of title H.S. (D) 115103, P.T. No.5350, Bandar Seremban, Daerah Seremban, Negeri Sembilan.	5+ 6 July 1999	Office	736.23	185.20 Leasehold of 99 years ending 21 November 2096	Building The land title shall not be transferred, charged or leased without the prior consent of the State Authority.	1,087,791.38
3. KIMB	4-storey terraced intermediate shop/office bearing postal address No. 27, Jalan Tiara 3, Bandar Baru Klang, 41150 Klang held under issue document of title H.S. (M) 14861, P.T. No. 21349, Tempat Bukit Raja, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan.	7+ 25 November 1997	Office	598.83	153.00 Leasehold of 99 years ending 8 May 2093	Building The land title shall not be transferred, charged or leased without the prior consent of the State Authority.	1,427,791.14
4. KIMB	4-storey terraced intermediate shophouse bearing postal address No 26, Jalan Sultan Mahmud, 20400 Kuala Terengganu, Terengganu held under issue document of title Geran No.6966, Lot No. 3320, Bandar Kuala Terengganu, Daerah Kuala Terengganu, Terengganu.	24+ 17 May 1980	Office	557.40	148.60 Freehold	None None	723,541.09

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
5. KIMB	1 unit 6-storey terraced corner office block, 5 units 3-storey terraced intermediate shoplots & 1 unit 3-storey terraced end-lot shoplots bearing postal address No.18, 18A, 18B, 18C, 18D, 18E & 18F, Leboh Raya Darul Aman, 05100 Alor Setar, Kedah held under issue document of title H.S. (D) 5/94, P.T. 1785 Mukim Kota Setar, Daerah Kota Setar, Kedah.	2+ 21 August 2002	Office	6,240.87	2,521.01689 Freehold	Building The landlord is restricted from executing any dealings on the land to be developed as a housing site unless the landlord builds and maintains the reserve road and builds drainage; all subject to the satisfaction of the local authority and road works department.	9,617,400.37
6. KIMB	4-storey terraced intermediate shophouse bearing postal address No. 8 Jalan Persiaran Yayasan, 86000 Kluang Johor held under issue document of title H.S. (D) 25258, P.T. No. B.7687, Bandar Baru Kluang, Daerah Kluang, Johor.	12+ 19 February 1992	Office	550.43	163.504 Leasehold of 99 years ending 2 April 2089	Building When the land sighted in this title has been transferred to a Bumiputera, the consent of the state authority is required for the land to be sold, leased/ transferred by any means to a non-Bumiputera.	658,698.79
7. KIMB	3-storey terraced corner shophouses bearing postal address No. 12, 12a & 12b, Jalan Padi Satu, Bandar Baru Uda, 81200 Tampoi held under issue document of title H.S. (D) 50559, PTB 11103, Bandar & Daerah Johor Bahru, Johor.	11+ 29 September 1993	Office	838.42	289.9504 Leasehold of 99 years ending 6 February 2081	Building When the land sighted in this title has been transferred to a Bumiputera, the consent of the state authority is required for the land to be sold, leased/transferred by any means to a non-Bumiputera.	1,936,200.47

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
8. KIMB	2-storey terraced intermediate shophot bearing postal address No.22, Jalan Yap Ah Shak, 50300 Kuala Lumpur held under issue document of title Grant 22946 Lot 756, Section 41, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.	Not available ⁶ Not available ⁷	Office	227.61	148.64 Freehold	None None	864,768.25
9. KIMB	Penthouse of a townhouse bearing postal address Riverine Villas, Parcel No. KG109-3, Penthouse, Block K, Persiaran Palm Springs, Palm Springs Resort, Batu 13, Jalan Pantai, 71250 Port Dickson, held under issue document of title H.S. (D) 12973, P.T. 2924, Mukim Pasir Panjang, District Port Dickson, Negeri Sembilan.	5+ 2 April 1999	Private use for staff	210.98	Not applicable Freehold	None None	387,074.86
10. KIMB	1 unit 4½-storey terraced intermediate shophouse & 1 unit 4¼-storey terraced corner shophouse bearing postal address Lot 19 & 20, Jalan Abdul Razak Susur 4, Johor Bahru, 80000 Johor Bahru held under issue document of title H.S. (D) 265984, PTB 20402 Bandar Johor Bahru, Daerah Johor Bahru, Johor.	2+ 2 December 2002	Vacant	983.56	170.30 Leasehold of 99 years ending 29 September 2096	Building The land title shall not be transferred, charged or leased without the prior consent of the State Authority.	2,763,014.92

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
11. KIMB	Double storey terraced corner office building bearing postal address No. 2E, Lorong Selamat, 10400 Pulau Pinang held under issue document of title Grant No. 15684, Lot No. 1018, Section 16 Daerah Timor Laut, Bandar George Town, Pulau Pinang.	Not available [#] Not available ²	Office	140.46	123.70 Freehold	None None	718,488.69
12. KIMB	9-storey terraced corner office building bearing postal address No. 2F Lorong Selamat, 10400 Pulau Pinang held under issue document of title Grant No. 61391, Lot No. 1296 Section 16 Daerah Timor Laut, Bandar George Town, Pulau Pinang.	6+ 31 July 1998	Office	2,518.80	342.00 Freehold	None None	6,541,761.77
13. KIMB	9 ½ -storey terraced corner office building bearing postal address No. 32, Jalan Yap Ah Shak Bangunan Kurnia 50300 Kuala Lumpur held under issue document of title Grant No. 42162 Lot 2485 Seksyen 41, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.	Not available [#] 21 November 1998 ^(C/39)	Office	6,803.21	682.00 Freehold	Building None	17,033,065.73

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
14. KIMB	3-storey terraced end-lot shophouse, bearing postal address No. 8, Jalan Pinggiran Ukay, Medan Damai Ukay, Jalan Ulu Klang, 68000 Ampang held under issue document of title H.S. (M) 1276 P.T. No. 1807, Lot 4535 Mukim Hulu Kelang, Daerah Gombak, Selangor.	14+ 18 June 1990	Office	398.54	143.07 Freehold	Building None	310,192.76
15. KIMB	4 ½-storey terraced intermediate shophouse bearing postal address No. 149-151 Jalan Maharajalela, Wisma Kurnia, 50150 Kuala Lumpur, held under issue document of title Grant No. 4594 & 4595, Lot 956 & 957 Seksyen 69, Bandar Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.	Not available ⁹ 22 October 1999 ⁽¹⁾⁹⁹	Office	1,137.10	251.30 Freehold	Building None	2,684,859.67

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
16. KIMB	4 pieces of land bearing postal address Lot 575 to 578, Seksyen 41, Jalan Kamunting, 50300 Kuala Lumpur on Grant No. 29792, 29793, 29794 & 29795, Lot No. 575 to 578, Seksyen 41, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.	Not applicable	Private parking for staff	Not Applicable	594.56 Freehold	None None	4,021,780.00
17. KIMB	1 piece of industrial land bearing postal address No. 14, Jalan Teknologi Taman Sains Selangor 1, 47810 Petaling Jaya, Selangor Darul Ehsan on Lot No. 14, Jalan Teknologi Taman Sains Selangor 1, Kota Damansara, Daerah Petaling Selangor Darul Ehsan .	Not applicable	Vacant	Not applicable	21,811.84 Leasehold of 60 years ending on 11 September 2062	Industrial None	6,118,010.17 ⁵
18. KIMB	10 pieces of land bearing postal address Lot 1246 to 1255, Seksyen 41, Lorong Haji Hussein 2, 50300 Kuala Lumpur on Grant No. 26312, 26313, 26314, 26315, 28311 to 28316, Lot No.1246 to 1255, Section 41, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.	Not applicable	Investment (currently rented out as parking facilities)	Not applicable	2,047.24 Freehold	Not specified None	7,500,000.00

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
19. KIMB	25-storey office building bearing postal address Menara Kurnia, No. 9 Jalan PJS 8/9, 46150 Petaling Jaya held under issue document of title H.S. (D) 63219, P.T. No. 54435, Mukim Damansara, Daerah Petaling, Selangor.	4+ 17 May 2000	Office	20,473.58	26,759.66 Leasehold of 99 years ending 17 July 2091	Building The land shall not be sold, leased, charged or transferred in anyway save with the consent of the State Authority.	104,672,724.08
20. KIMB	4 units 4-storey terraced intermediate shops/offices bearing postal address No. 16 to 22, Persiaran Greentown 6, 30450 Ipoh, Perak held under issue document of title PN 14557 Lot 9391 ^N , PN147558 9392 ^N , PN147559 9393 ^N & PN147560 9394 ^N , Bandar Ipoh, Daerah Kinta, Perak.	5+ 19 May 1999	Office	2,536.17	668.00 Leasehold of 99 years ending 21 November 2094	Building The land shall not be transferred or leased without the written consent of the State.	3,319,528.37
21. KIMB	1 unit 3-storey terraced intermediate shophouse & 1 unit 3-storey terraced corner shophouse bearing postal address No. 246 & 247, Jalan Datuk Wee Kheng Chiang, 93450 Kuching held under issue document of title Lot 468 and 469, Section 62, Kuching Town Land District, Sarawak.	Not available [#] 9 July 1996 ^(C/P/R)	Office	777.50	285.10 Leasehold of 847 years ending 31 December 2797	Building The land is to be used only as a 3-story terraced building for commercial & residential purpose in the manner following: Ground floor – commercial First floor – commercial Second floor – 1 family dwelling unit.	3,585,214.24

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
22. KIMB	3-storey terraced corner office building bearing postal address No. 162 Taman Melaka Raya 75000 Melaka held under issue document of title H.S. (D) 4591, P.T. No. 93 Kawasan Bandar KB XXXIX, Daerah Melaka Tengah, Melaka.	Not available ^a Not available ^b	Office	350.70	329.24	Building	1,021,220.36
23. KIMB	3-storey terraced intermediate shop/office bearing postal address No. 27, Jalan Sudirman 3, Bandar Seri Semantan, 28000 Temerloh, Pahang held under issue document of title H.S. (D) 16139, P.T. No. 9438 Bandar Temerloh, Daerah Temerloh, Pahang.	4+ 14 November 2000	Office	362.31	120.77	Building	451,934.51
24. KIMB	3-storey terraced intermediate shop office bearing postal address No 442 Jalan Permatang Rawa, 14000 Bukit Mertajam Pulau Pinang H.S. (M) 9, Lot No 1002 Mukim 7, Daerah Seberang Perai Tengah, Pulau Pinang.	7+ 26 March 1997	Vacant	396.68	143.00	None	472,425.75 ^c

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

Registered / Beneficial Owner	Description / Location	Approximate Age of Building (years) and Date of Certificate of Fitness	Existing Use	Built-up Area (sq. meters)	Land Area (sq. meters) and Tenure	Category of Land Use / Restriction-In-Interest	Net Book Value As At 30.6.2004 RM
25. KIMB	3-storey terraced shophouse bearing postal address No. 163 Taman Melaka Raya, 75000 Melaka held under issue document of title H.S. (D) 4590 Kawasan Bandar XXXIX Daerah Melaka Tengah, Melaka.	Not available [#] Not available ⁴	Office	359.53	148.64 Leasehold of 99 years ending 19 August 2075	Building The land title shall not be transferred, charged or leased without the prior consent of the State Authority.	608,662.44 ⁷

Notes:

[#] these are previously owned properties where the approximate age of building is not ascertainable.

^(RM) date of the certificate of fitness for renovation.

^{*} in the process of obtaining title.

¹ the certificate of fitness for the property could not be located when it was purchased by KIMB from the previous owner. As such, KIMB wrote to Dewan Bandaraya Kuala Lumpur on 28 February 2004 and the local municipal council in their letter dated 9 February 2004 replied that they will not be able to furnish a copy of the said certificate of fitness given that they no longer possess a copy as the development has long been completed.

² the certificate of fitness for the property could not be located when it was purchased by KIMB from the previous owner. As such, KIMB wrote to Majlis Perbandaran Pulau Pinang on 10 December 2003 and the local municipal council in their letter dated 29 January 2004 replied that the department possessed no records on the issuance of a certificate of fitness for the said property.

³ the certificate of fitness for the property could not be located when it was purchased by KIMB from the previous owner. As such, KIMB wrote to Majlis Bandaraya Melaka Bersejarah on 12 December 2003 and the local municipal council in their letter dated 3 February 2004 acknowledged that the said building could be used as an office.

⁴ the certificate of fitness for the property could not be located when it was purchased by KIMB from the previous owner. As such, KIMB wrote to Majlis Bandaraya Melaka Bersejarah on 26 November 2004 and the local municipal council in their letter dated 21 December 2004 acknowledged that the said building could be used as an office.

The following are the land properties acquired by the Kurnia Group for the past two (2) years up to 21 December 2004, being the latest practicable date prior to the issuance of this Prospectus:

⁵ the acquisition value and the acquisition date of the property acquired are RM6,243,803.00 and 30 December 2002 respectively.

⁶ the acquisition value and the acquisition date of the property acquired are RM460,000.00 and 22 July 2003 respectively.

⁷ the acquisition value and the acquisition date of the property acquired are RM588,000.00 and 12 August 2003 respectively.

Save as disclosed above, all the properties are not encumbered and have been issued with certificates of fitness.

V. INFORMATION ON THE KURNIA GROUP (CONT'D)

9. Other Information**9.1 The Regulation of the Insurance Industry in Malaysia****9.1.1 Regulator**

The insurance industry is regulated by BNM under the IA. Under the IA, BNM has the power to issue guidelines, circulars, or notices relating to the conduct of the business and affairs of the licensee. BNM, with the approval of the Minister of Finance, or the Minister of Finance in its capacity, as the case may be, may make regulations for carrying into effect the objects of the IA or any provisions of the IA and for prescribing anything which under the IA is to be prescribed.

9.1.2 Legislation

The IA and its subsidiary legislation are the principal legislation governing the conventional commercial insurance industry. The IA came into force on 1 January 1997 replacing the Insurance Act 1963. Subsidiary legislation made under the IA includes the Insurance Regulations, 1996, which regulates the procedures relating to licences granted under the IA.

9.1.3 Approvals, Major Licences And Permits

KIMB currently holds a licence to carry on insurance business issued by the Minister of Finance pursuant to subsection 16(2) of the IA on 27 June 1997.

The conditions of the licence have been complied with. KIMB believes that the licence is in good standing and expects to be able to continue to fulfill its licence terms to the satisfaction of BNM and the other regulatory bodies.

9.2 Patents, Trade Marks, Copyrights, Technical Assistance Agreements, Franchises and Other Intellectual Property Rights

KAB and its subsidiary are the registered owner of a combination of trademark, servicemark and domain name registrations and rely on copyright protection and contractual restrictions to establish and protect its brand names and logos, marketing designs and internet domain names.



V. INFORMATION ON THE KURNIA GROUP (CONT'D)

- (i) *Trademarks and Servicemarks.* KURNIA with device and Kurnia Auto Assist with device have been registered in Malaysia as servicemarks mainly for services classified under Class 36 (general insurance and insurance services; insurance planning and management; insurance brokerage, insurance claims and adjusting; reinsurance; insurance underwriting; risk management; investment and portfolio; mortgage and loan arrangement) and Class 37 (provision of services relating to the maintenance and repairs of vehicles) and Class 39 (provision of towing services for vehicles on breakdown) respectively. An application to register KURNIA Express with device as servicemarks has been made in respect of services classified under Class 36.
- (ii) *Copyrights.* The Kurnia Group's copyrights relate principally to certain designs used in marketing and advertising its auto assist services and insurance packages in Malaysia.
- (iii) *Domain Names.* The Kurnia Group owns the internet domain name of "kurnia.com.my".

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