

KURNIA ASIA BERHAD

Part A – Explanatory Notes Pursuant to FRS134

A1. Basis of preparation

The interim financial reports are unaudited and have been prepared in accordance with FRS 134 – Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”). It should be read in conjunction with the audited financial statements of the Group for the year ended 30th June 2008.

The significant accounting policies and methods of computation applied in the preparation of the quarterly financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 30th June 2008 and applicable approved accounting standards in Malaysia.

A2. Preceding year’s audit report

The annual financial statements of the Group for financial year ended 30th June 2008 were not qualified.

A3. Seasonal or cyclical factors

The Group’s business operations are not significantly affected by any seasonal or cyclical factors.

A4. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current financial period under review.

A5. Changes in estimates

There were no material changes in estimates of amounts reported that have a material effect in the current financial period under review.

A6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period under review.

A7. Dividend payment

There was no dividend paid by Kurnia Asia Berhad (“the Company”) during the current financial period under review.

A8. Segmental information

By business segment	Current Year-To-Date (31/03/2009)			Preceding Year-To-Date (31/03/2008)		
	Underwriting general insurance business RM'000	Investment holding RM'000	Consolidated RM'000	Underwriting general insurance business RM'000	Investment holding RM'000	Consolidated RM'000
Revenue						
Total revenue	872,092	971	873,063	893,669	1,385	895,054
Result						
(Loss) / Profit before tax	32,622	(18,128)	14,494	8,745	(3,223)	5,522
Tax expense			(99)			(4,218)
(Loss) / Profit after tax			14,395			1,304

A9. Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without any amendments from the preceding annual financial statements.

A10. Material events not reflected in the financial statements

There were no material subsequent events from the end of the current financial period to the date of this interim report.

A11. Changes in composition of the Group

On 26th December 2008, the Group has acquired 25% equity interest of Kurnia Insurance (Thailand) Co. Ltd. ("KIT") via its wholly-owned subsidiary, Kurnia Asia Pte Ltd ("KAPL").

Save as disclosed above, there were no changes in the composition of the Group during the financial period under review.

A12. Contingent liabilities

At the date of this report, there does not exist any contingent liability of the Group, which has arisen since the end of the last financial year.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company's subsidiaries, Kurnia Insurans (M) Berhad ("KIMB") and PT Kurnia Insurance Indonesia ("KII") and its associate company, KIT.

A13. Capital commitments

Capital commitments not provided for in the interim financial report as at 31st March 2009 is as follow:

<u>Property and equipments</u>	RM'000
- approved and contracted for	<u>10,224</u>

Part B – Additional Disclosures In Compliance With Bursa Securities Listing Requirements

B1. Review of the performance of the Company and its subsidiaries

Notwithstanding that the Group's gross premium declined year-on-year by 3.1% to RM806.608 million by virtue of the more stringent risk selection practice adhered by KIMB; the Group recorded net profit of RM14.395 million for the 9 months ended 31st March 2009, as opposed to net profit of RM1.304 million recorded in the corresponding period last year. The significant improvement resulted mainly from the turnaround in underwriting performance and cumulative investment and other income to-date, which was partially offset by finance expense.

Underwriting performance surged to a surplus of RM12.528 million for the 9 months ended 31st March 2009 (KIMB: RM15.015 million surplus; KII: RM2.487 million deficit) compared to a deficit of RM78.044 million in the corresponding period last year. The significant turn around was due to the following improvements:

- claim expenses decreased year-on-year from RM604.084 million to RM514.301 million, together with claims ratio improved from 78.9% to 68.8%; and
- management expenses declined year-on-year from RM166.970 million to RM149.249 million

Whilst the poor equity market experienced during the current 9 month period ended 31st March 2009 caused the Group's investment and other income to decline year-on-year from RM86.789 million to RM24.264 million, the Management's decision to reallocate the investment portfolio to a more defensive position has borne positive results.

The Group's year-to-date results are mainly derived from KIMB. KII recorded gross premium of RM39.694 million and net loss of RM0.370 million for the financial period under review. The equity-accounted associate company, KIT, incurred net loss of RM0.577million for the relevant portion of the period under review since its inception in the Group.

B2. Explanatory comments on any material change in the profit before taxation for the quarter reported on as compared with preceding quarter

Notwithstanding that the Group's gross premium declined quarter-on-quarter by 3.2% to RM257.788 million by virtue of the more stringent risk selection practice adhered by KIMB; the Group recorded a pre-tax profit of RM26.458 million for the quarter under review, a significant improvement from pre-tax profit of RM0.116 million recorded in the preceding quarter. The improvement mainly resulted from the quarter-on-quarter strong recovery in investment performance as well as continued surplus in underwriting activities.

Investment and other income improved significantly quarter-on-quarter from a net gain of RM2.668 million to RM29.584 million as management's decision to reallocate its investment portfolio to a relatively more defensive position to mitigate adverse impact from the volatile financial market continued to yield desired results.

Underwriting surplus reduced slightly quarter-on-quarter from RM5.733 million to RM4.125 million, in line with the lower premium income recorded by the Group as it continued to be stringent on risk selection in its underwriting business to protect its underwriting margin.

As mentioned in Section B1, the Group's results for the quarter under review were mainly contributed by KIMB. KII's contribution to the Group's gross premium and pre-tax loss for the quarter under review amounted to RM10.268 million (Q2 '09: RM16.447 million) and RM0.588 million (Q2 '09: RM0.754 million) respectively. The equity-accounted associate company, KIT, incurred net loss of RM0.577million for this period under review.

B3. Prospects for the current financial year

Based on the progress to-date and barring unforeseen circumstances, the Board of Directors and Management expect the Group to maintain the current momentum for the remaining period of the current financial year ending 30th June 2009.

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Tax expense

RM'000	Individual Quarter		Cumulative Quarter	
	Current Year 31/03/2009	Preceding Year-to-date 31/03/2008	Current Year-to-date 31/03/2009	Preceding Year-to-date 31/03/2008
Profit / (Loss) before tax	26,458	(33,800)	14,494	5,522
Current year tax expense	67	(8,384)	99	4,218
Deferred tax expense	-	-	-	-
Total tax expense	67	(8,384)	99	4,218
Effective tax rate (%)	0.00	24.80	0.68	76.39

The effective tax rate of the Group for the period is lower than the statutory tax rate mainly due to the utilisation of tax benefit arising from tax losses brought forward from the previous financial year.

B6. Sales of unquoted investments and /or properties

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

B7. Quoted securities

There were no purchases or disposal of quoted securities by the Group other than by the insurance subsidiaries and associated company in the normal course of its business activities, which are exempted from the disclosure of this information. As at 31st March 2009, there was no investment in quoted securities.

B8. Status of corporate proposals

On 11th April 2008, Kurnia Asia Pte Ltd ("KAPL"), the wholly-owned subsidiary of the Company had entered into an Equity Joint Venture Agreement with Canadia Investment Holding Plc ("CIHP") to establish a joint venture company under the name of Cana Kurnia Insurance Plc ("Cana Kurnia") in Cambodia to undertake general and life insurance businesses in Cambodia ("Proposed Joint Venture"). On 31st March 2009, the Company announced that after due deliberation by the Board of Directors of CIHP and KAPL, both parties have mutually agreed to defer their intentions to embark on the proposed joint venture pending improvement of the contagion effects of the global financial crisis and other factors.

Save as disclosed above, there were no new corporate proposals announced as at 4th May 2009 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

B9. Group borrowings and debt securities

The Group's borrowings and debt securities as at the end of the reporting period are as follow:

	RM'000
Secured long term loan	<u>400,000</u>

B10. Off balance sheet risk

The Group did not have any financial instruments with off balance-sheet risk as at 4th May 2009, the latest practicable date, which is not earlier than 7 days from the date of issue of this quarterly report.

B11. Material litigation

There was no material litigation (outside the ordinary course of business of its insurance subsidiaries) as at 4th May 2009, the latest practicable date that is not earlier than 7 days from the date of issue of this quarterly report.

B12. Proposed Dividend

The Directors do not propose any dividend for the quarter and period ended 31st March 2009.

B13. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	31/03/2009	31/03/2008	31/03/2009	31/03/2008
Basic				
Profit / (Loss) for the year attributable to ordinary shareholders (RM'000)	26,391	(25,416)	14,395	1,304
Weighted average no. of ordinary shares in issue ('000)	1,488,423	1,488,423	1,488,423	1,490,438
Basic earnings per ordinary share (sen)	1.77	(1.71)	0.97	0.09

SELANGOR DARUL EHSAN
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