

# 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 period ended 31<sup>st</sup> December 2009.

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 financial statements for the period ended 31<sup>st</sup> December 2009, except for the adoption of the following Financial Reporting Standards (“FRS”), amendments to FRSs, and Issues Committee Interpretations (“IC Interpretations”) with effect from 01 January 2010:

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets*
  - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, *FRS 2 – Group and Treasury Share Transactions*

Adoption of FRS4 does not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, certain comparative information has been restated to comply with the FRS4.

In adopting FRS101 (revised), the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income. Comparative information has been represented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

Upon the first adoption of FRS139, the Group recognized a credit balance adjustment amounted RM8.497 million to the retained profit or the fair value reserve at the beginning of the financial period.

Other than the implications as discussed above, the application of the abovementioned FRSs, amendments to FRSs and IC Interpretations have not resulted in principal changes in accounting policies of the Group and not expected to have significant impact on the interim financial statements of the Group.

**A2. Preceding year's audit report**

The annual financial statements of the Group for financial year ended 31<sup>st</sup> December 2009 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**

	Current Year-to-date (31/03/2010)			Preceding Year-to-date (31/03/2009)		
	Underwriting business in Malaysia	Others	Total	Underwriting business in Malaysia	Others	Total
By operating segments						
Operating revenue	268,555	6,405	274,960	269,097	11,526	280,623
Segment results	30,270	(6,674)	23,596	28,950	(1,982)	26,968
Share of profit from associate company			213			(577)
Net profit			23,809			26,391

**A9. Valuations of property, plant and equipment**

The valuations of property, plant and equipment have been brought forward without any amendments from the preceding audited 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**

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 period.

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, Kurnia Insurance (Thailand) Co., Ltd. ("KIT").

### **A13. Capital commitments**

Capital commitments not provided for in the interim financial report as at 31<sup>st</sup> March 2010 is as follow:

	RM'000
<u>Property and equipments</u>	
- approved and contracted for	<u>10,914</u>

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

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

The Group achieved an underwriting surplus of RM10.761 million for the period ended 31<sup>st</sup> March 2010, which represents an improvement of 160.9% year-on-year. This result was mainly driven by improvements in the claims and management expenses. Operationally, the more stringent risk selection practice and efforts to control management expenses have continued to yield desired results.

The Group's net investment income stood at RM29.581 million (translating to an investment yield of 6.60%) for the period under review, at par with RM29.584 million (or investment yield of 5.94%) recorded for the same period in the preceding year.

Consequently, profit before tax improved by 32.5% year-on-year, from RM26.458 million to RM35.045 million.

Notwithstanding the above results, the net profit of the Group for the period ended 31<sup>st</sup> March 2010 was slightly lower year-on-year at RM23.809 million mainly due to significantly higher tax expenses provided during the period. The Group provided tax expense of RM11.236 million for the period (Q1 2009: RM0.067 million) as its tax benefits from previous years have been fully utilized.

The Group's year-to-date results are mainly derived from KIMB. KAB's foreign subsidiary, KII recorded net loss of RM0.578 million for the financial period under review. The share of profit from the equity-accounted associate company, KIT amounted to RM0.213 million.

As at 31<sup>st</sup> March 2010, the net asset value of the Group improved to RM331.686 million (31<sup>st</sup> December 2009 restated: RM308.582 million).

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

The Group's overall underwriting surplus improved from RM0.582 million to RM10.761 million quarter-on-quarter, mainly due to the reduction in claims expenses.

Investment and other income improved quarter-on-quarter to a net gain of RM29.581 million from RM24.156 million recorded in preceding quarter.

Premised on the improved results highlighted above, the pre-tax profit of the Group improved 87.4% to RM35.045 million for the quarter under review, compared to RM18.698 million recorded in the preceding quarter. After taxes, the net profits of the Group improved 119.2% to RM23.809 million (Dec Qtr 2009: RM10.860 million).

As mentioned in Section B1, the Group's results for the quarter under review were mainly contributed by KIMB, whilst KII's net loss for the quarter amounted to RM0.578 million. The share of profit from the equity-accounted associate company, KIT, amounted to RM0.213 million for the quarter.

**B3. Prospects for the current financial year**

The Group maintained its momentum in its turnaround journey in strengthening its financial performance and position.

Barring unforeseen circumstances, the Board of Directors expects the Group to record satisfactory performance for the remaining period of the current financial year ending 31<sup>st</sup> December 2010.

**B4. Variance of actual profit from forecast profit**

Not applicable.

**B5. Tax expense**

RM'000	Individual Quarter		Cumulative Quarter	
	Current Year 31/03/2010	Preceding Year-to-date 31/03/2009	Current Year-to-date 31/03/2010	Preceding Year-to-date 31/03/2009
Profit before tax	35,045	26,458	35,045	26,458
Current year tax expense	11,236	67	11,236	67
Deferred tax expense	-	-	-	-
Total tax expense	11,236	67	11,236	67
Effective tax rate (%)	32.1	0.2	32.1	0.2

The effective tax rate of the Group for the period is higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes. The comparative was lower than the statutory tax rate as the principal subsidiary utilized tax benefits arising from tax losses brought forward from 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 period- 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 31<sup>st</sup> March 2010, there was no investment in quoted securities.

**B8. Status of corporate proposals**

There were no new corporate proposals announced as at 5<sup>th</sup> May 2010 (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 at 5<sup>th</sup> May 2010, 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 5<sup>th</sup> May 2010, the latest practicable date that is not earlier than 7 days from the date of issue of this quarterly report.

**B12. Proposed Dividend**

The Board of Directors does not propose any dividend for the quarter and period ended 31<sup>st</sup> March 2010.

**B13. Earnings Per Share**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
<b>Basic</b>				
Profit for the period attributable to ordinary shareholders (RM'000)	23,809	26,391	23,809	26,391
Weighted average no. of ordinary shares in issue ('000)	1,488,423	1,488,423	1,488,423	1,488,423
Basic earnings per ordinary share (sen)	1.60	1.77	1.60	1.77

SELANGOR DARUL EHSAN  
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