

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 31st 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 31st 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 01st 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*

The adoption of the above new/revised FRSs, IC Interpretations, and Amendments to FRSs do not result in any significant impact on the financial statements of the Group upon their initial application except for the changes arising from the adoption of FRS 4 and FRS 139.

FRS 4 – Insurance contracts

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.

FRS101 (revised) – Presentation of Financial Statements

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.

FRS139 – Financial Instruments: Recognition and Measurement

FRS 139, sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments.

In accordance with the transitional provisions of FRS 139, the changes are applied prospectively and the comparatives as at 31st December 2009 are not restated. Instead, the changes have been accounted for by restating the opening retained profits of the Group. 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 has 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 31st 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

By operating segments	Current Year-to-date (30/06/2010)			Preceding Year-to-date (30/06/2009)		
	Underwriting business in Malaysia	Others	Total	Underwriting business in Malaysia	Others	Total
Operating revenue	551,654	12,784	564,438	524,074	21,205	545,279
Segment results	41,668	(14,788)	26,880	90,513	(20,636)	69,877
Share of profit from associate company			166			(831)
Net profit			27,046			69,046

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

On 28th June 2010, the Company has via its wholly-owned subsidiary, Kurnia Asia Pte Ltd ("KAPL"), incorporated a new subsidiary in the Kingdom of Cambodia, under the name Kurnia (Cambodia) Incorporated Co., Ltd ("KCI").

KCI was incorporated in Cambodia as a private limited company, with an authorised share capital of KHR20,000,000 (equivalent to approximately USD4,761.90) comprising 1,000 ordinary shares of KHR20,000 each, all of which have been issued and are fully paid-up. KAPL holds 60% equity interest in KCI.

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 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 30th June 2010 is as follow:

	RM'000
<u>Property and equipments</u>	
- approved and contracted for	<u>10,955</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 recorded improvement in the gross premium year-on-year, driven by strong growth in the non-motor segment. In this respect, KIMB's non-motor segment had recorded a healthy growth of 23.0% year-on-year.

The Group recorded a pre-tax profit of RM41.02 million for the first 6 months of FYE 2010 compared with RM51.03 million last year.

As at 30th June 2010, the net asset value of the Group improved to RM338.607 million (31st 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 recorded a lower pre-tax profit of RM5.978 million during the quarter. Net investment income was also lower than the previous quarter's result mainly due to flattish performance of the KLCI during the quarter.

As mentioned in Section B1, the Group's results for the quarter under review were mainly contributed by KIMB.

B3. Prospects for the current financial year

The Group is on track to achieve higher non-motor growth for the remaining period of the current financial year and beyond. Further, the Group is also continuing with efforts to improve its overall financial performance and position.

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

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Tax expense

RM'000	Individual Quarter		Cumulative Quarter	
	Current Year 30/06/2010	Preceding Year-to-date 30/06/2009	Current Year-to-date 30/06/2010	Preceding Year-to-date 30/06/2009
Profit before tax	5,977	24,574	41,023	51,032
Current year tax expense	2,741	(1,486)	13,977	(1,485)
Deferred tax expense	-	(16,595)	-	(16,529)
Total tax expense	2,741	(18,081)	13,977	(18,014)
Effective tax rate (%)	45.86	(73.58)	34.01	(35.30)

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 significantly lower than the statutory tax rate as the principal subsidiary recognised 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 30th June 2010, there was no investment in quoted securities.

B8. Status of corporate proposals

On 6th August 2010, the Company announced a proposal to undertake a private placement of up to 148,842,260 ordinary shares of the Company. The proceeds shall go towards repayment of borrowings and general working capital of the Group, after deducting expenses attributable to the proposed private placement.

Save as disclosed above, there were no other corporate proposals announced as at 25th August 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 25th August 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 25th August 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 30th June 2010.

B13. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Basic				
Profit for the period attributable to ordinary shareholders (RM'000)	3,236	42,655	27,046	69,046
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)	0.22	2.87	1.82	4.64

SELANGOR DARUL EHSAN
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