

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 31st December 2010.

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 year ended 31st December 2010, except for the adoption of the following:

FRSs/ Interpretations	Effective date
Amendments to FRS 132, <i>Financial Instruments: Presentation – Classification of Right Issues</i>	1 March 2010
FRS 3, <i>Business Combinations</i> (revised)	1 July 2010
FRS 127, <i>Consolidated and Separate Financial Statements</i> (revised)	1 July 2010
Amendments to FRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 138, <i>Intangible Assets</i>	1 July 2010
IC Interpretation 16, <i>FRS 2 – Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17, <i>Distribution of Non-cash Assets to Owners</i> Amendments to IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 July 2010
Amendments to FRS 7, <i>Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments</i>	1 January 2011
IC Interpretation 4, <i>Determining whether an Arrangement contains a Lease</i>	1 January 2011
Improvements to FRSs (2010)	1 January 2011

A2. Preceding year’s audit report

The annual financial statements of the Group for financial year ended 31st December 2010 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 (31/03/2011)			Preceding Year-to-date (31/03/2010)		
	Underwriting business in Malaysia	Others	Total	Underwriting business in Malaysia	Others	Total
By operating segments						
Operating revenue	280,457	6,394	286,851	251,284	8,179	259,463
Segment results	23,075	(8,268)	14,807	30,270	(6,674)	23,596
Share of (loss) profit from associate company			(356)			213
Net profit			14,451			23,809

A9. 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.

A10. Changes in composition of the Group

There were no changes in the composition of the Group during the financial period under review.

A11. 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”).

A12. Capital commitments

Capital commitments not provided for in the interim financial report as at 31st March 2011 is as follow:

	RM'000
<u>Property and equipments</u>	
- approved and contracted for	<u>8,224</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 a 6.1% or RM15.499 million improvement in the gross written premium income, driven by a commendable growth in the non-motor segment.

The Group recorded net profit of RM14.451 million for the 3 months ended 31st March 2011, lower than the RM23.809 million recorded last year.

As at 31st March 2011, the net asset value of the Group improved to RM341.828 million (31st December 2010: RM327.797 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 pre-tax profit of RM21.277 million during the quarter, compared to RM9.001 million pre-tax loss in the preceding quarter, mainly due to better underwriting results.

B3. Prospects for the current financial year

The Group maintained its momentum 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 31st December 2011.

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Tax expense

RM'000	Individual Quarter		Cumulative Quarter	
	Current Year 31/03/2011	Preceding Year-to-date 31/03/2010	Current Year-to-date 31/03/2011	Preceding Year-to-date 31/03/2010
Profit before tax	21,277	35,045	21,277	35,045
Current year tax expense	6,826	11,236	6,826	11,236
Deferred tax expense	-	-	-	-
Total tax expense	6,826	11,236	6,826	11,236
Effective tax rate (%)	32.1	32.1	32.1	32.1

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.

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 31st March 2011, 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.

Save as disclosed above, there were no other corporate proposals announced as at 20th May 2011 (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>360,000</u>

B10. Off balance sheet risk

The Group did not have any financial instruments with off balance-sheet risk at 20th May 2011, 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 20th May 2011, 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 period ended 31st March 2011.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	31/03/2011	31/03/2010	31/03/2011	31/03/2010
Basic				
Profit for the period attributable to ordinary shareholders (RM'000)	14,451	23,809	14,451	23,809
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)	0.97	1.60	0.97	1.60

B14. Supplementary information on the breakdown of realised and unrealised profits or loss

The breakdown of the retained earnings of the Group as at 31st March 2011, into realised and unrealised profits, pursuant to the directive, is as follow:

	As At 31.03.2011 RM'000	As At 31.12.2010 RM'000
Total retained earnings (accumulated losses) of the Group		
-Realised	(53,593)	(65,334)
-Unrealised	11,035	10,749
	<u>(42,558)</u>	<u>(54,585)</u>
Total share of retained earnings (accumulated losses) from associate		
-Realised	(1,184)	(3,616)
-Unrealised	46	54
	<u>(43,696)</u>	<u>(58,147)</u>
Consolidation adjustment	-	-
Total retained earnings (accumulated losses) as per financial statement	<u>(43,696)</u>	<u>(58,147)</u>

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

SELANGOR DARUL EHSAN
DATE: 25th May 2011
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