

KURNIA ASIA BERHAD (539435-K)
(Incorporated in Malaysia)

Quarterly Report On Consolidated Results
For The 3rd Quarter Ended 31 March 2009
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual Quarter		Cumulative Quarter	
	Current Year 31-Mar-2009 RM'000	Preceding Year 31-Mar-2008 RM'000	Current Year 31-Mar-2009 RM'000	Preceding Year 31-Mar-2008 RM'000
Revenue	280,623	301,991	873,063	895,054
(Deficit) / Surplus from General Insurance Revenue account	33,709	(32,097)	32,622	8,745
Investment income	-	304	-	951
Management expense	(1,508)	(1,977)	(6,361)	(4,121)
Other expense - Net	18	(137)	(299)	(487)
Finance expense	(5,348)	-	(11,862)	-
Operating (loss) / profit	26,871	(33,907)	14,100	5,088
Interest income	164	107	971	434
Share of profit of equity accounted associates	(577)	-	(577)	-
(Loss) / Profit before taxation	26,458	(33,800)	14,494	5,522
Taxation	(67)	8,384	(99)	(4,218)
Net (loss) / profit	26,391	(25,416)	14,395	1,304
(Loss) / Earnings per share (sen) - Basic	1.77	(1.71)	0.97	0.09

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30 June 2008

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For The 3rd Quarter Ended 31 March 2009

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CONDENSED GENERAL INSURANCE REVENUE ACCOUNTS

	Individual Quarter Ended									
	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross Premium	12,228	7,197	213,150	241,759	5,796	4,487	26,614	28,012	257,788	281,455
Less: Reinsurance	(8,868)	(4,383)	(10,749)	(11,996)	(4,941)	(3,004)	(7,308)	(7,886)	(31,866)	(27,269)
Net Premium	3,360	2,814	202,401	229,763	855	1,483	19,306	20,126	225,922	254,186
UPR Decrease	586	209	11,438	6,237	719	97	2,010	(3,475)	14,753	3,068
Earned Premium	3,946	3,023	213,839	236,000	1,574	1,580	21,316	16,651	240,675	257,254
Commission (Net)	237	(159)	(19,119)	(21,631)	(84)	(25)	(3,306)	(3,294)	(22,272)	(25,109)
Net Claims Incurred	(2,909)	(3,458)	(154,768)	(205,747)	(1,327)	(801)	(10,134)	(7,715)	(169,138)	(217,721)
Underwriting surplus before management expense	1,274	(594)	39,952	8,622	163	754	7,876	5,642	49,265	14,424
Management expense									(45,140)	(62,448)
Underwriting surplus/ (deficit)									4,125	(48,024)
Investment income									22,671	20,125
Other (expense) /income - net									6,913	(4,198)
Finance expense									-	-
(Deficit) / Surplus transferred to Condensed Consolidated Income Statement									33,709	(32,097)

	Cumulative Quarter Ended									
	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross Premium	27,991	23,025	666,639	723,960	13,519	11,844	98,459	73,177	806,608	832,006
Less: Reinsurance	(18,735)	(13,092)	(32,852)	(35,978)	(14,162)	(7,588)	(28,899)	(21,563)	(94,648)	(78,221)
Net Premium	9,256	9,933	633,787	687,982	(643)	4,256	69,560	51,614	711,960	753,785
UPR Decrease	(466)	883	34,784	20,215	528	166	677	(9,074)	35,523	12,190
Earned Premium	8,790	10,816	668,571	708,197	(115)	4,422	70,237	42,540	747,483	765,975
Commission (Net)	860	(695)	(60,283)	(64,630)	(1,062)	(205)	(10,920)	(7,435)	(71,405)	(72,965)
Net Claims Incurred	(8,316)	(6,065)	(481,608)	(575,371)	(502)	(1,970)	(23,875)	(20,678)	(514,301)	(604,084)
Underwriting surplus before management expense	1,334	4,056	126,680	68,196	(1,679)	2,247	35,442	14,427	161,777	88,926
Management expense									(149,249)	(166,970)
Underwriting surplus / (deficit)									12,528	(78,044)
Investment income									65,484	61,663
Other (expense) / income - net									(41,220)	25,126
Finance expense									(4,170)	-
(Deficit) / Surplus transferred to Condensed Consolidated Income Statement									32,622	8,745

The Condensed Consolidated General Insurance Revenue Accounts should be read in conjunction with the Annual Financial Report for the year ended 30 June 2008

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CONDENSED CONSOLIDATED BALANCE SHEETS

	As At 31-Mar-2009 RM'000	(Audited) As At 30-Jun-2008 RM'000
<u>Assets</u>		
Property and equipment	190,021	201,678
Goodwill	11,359	11,362
Prepaid lease payment	31,271	31,585
Investment property	7,500	7,500
Investment in associates	16,431	-
Investments	1,911,350	1,625,235
Deferred tax assets	393	516
Loans (secured)	11,924	13,877
Receivables	85,481	93,778
Current tax assets	15,369	34,066
Cash and cash equivalents	77,535	95,692
Total assets	<u>2,358,634</u>	<u>2,115,289</u>
<u>Liabilities</u>		
Provision for outstanding claims	1,293,757	1,433,136
Payables and accruals	68,484	64,282
Current tax liabilities	(48)	248
Retirement benefits	20,117	17,448
Deferred tax liabilities	-	-
Term loan	400,000	-
	<u>1,782,310</u>	<u>1,515,114</u>
<u>Insurance reserve</u>		
Unearned premium reserve	<u>411,716</u>	<u>448,178</u>
<u>Shareholders' equity</u>		
Share capital	375,000	375,000
Reserves	<u>(210,392)</u>	<u>(223,003)</u>
Shareholders' equity	<u>164,608</u>	<u>151,997</u>
Total liabilities and shareholders' equity	<u>2,358,634</u>	<u>2,115,289</u>
Net Assets Value per ordinary share of RM0.25 each (SEN)	<u>11.06</u>	<u>10.21</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30 June 2008

KURNIA ASIA BERHAD (539435-K)*(Incorporated in Malaysia)***Quarterly Report On Consolidated Results****For The 3rd Quarter Ended 31 March 2009***(The figures have not been audited)***CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share Capital RM '000	Share Premium RM '000	Translation Reserve RM '000	Distributable Retained profit RM '000	Total RM '000
<u>9 Months Ended 31/03/2009</u>					
Balance at 30 June 2008	375,000	607	189	(223,799)	151,997
Net profit for the period	-	-	-	14,395	14,395
Foreign exchange translation differences	-	-	(1,784)	-	(1,784)
Balance as at 31 March 2009	375,000	607	(1,595)	(209,404)	164,608
<u>9 Months Ended 31/03/2008</u>					
Balance at 30 June 2007	375,000	12,578	(602)	77,990	464,966
Net profit for the period	-	-	-	1,304	1,304
Treasury shares	-	(11,971)	-	-	(11,971)
Foreign exchange translation differences	-	-	(288)	-	(288)
Balance as at 31 March 2008	375,000	607	(890)	79,294	454,011

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Annual Financial Reports for the year ended 30 June 2008

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(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS		
	Year-To-Date	
	31-Mar-2009	31-Mar-2008
	RM'000	RM'000
<u>Cash flow from operating activities:</u>		
(Loss) / Profit before tax	14,495	5,522
Adjustment for:		
Depreciation on property & equipment and amortisation of prepaid lease	17,803	14,536
Decrease in unearned premium reserve	(35,523)	(12,193)
Investment income	(53,536)	(63,012)
Loss /(Gain) on disposal of investment	34,971	(46,692)
Loss on disposal of fixed assets/ fixed asset written off	80	(13)
Provision for diminution in value of investment	7,521	22,966
Allowance for doubtful debt / bad debt recovery	1,105	952
Provision for retirement benefits	3,646	1,933
Share of profit of equity accounted associate	577	-
Profit /(Loss) from operations before changes on operating assets and liabilities	(8,861)	(76,001)
Purchase of investments & fixed and called deposits	(717,042)	(503,313)
Proceeds from redemption and disposal of investments	394,424	505,672
Increase /(Decrease) in loans	1,954	2,978
Decrease in receivables	24,253	4,262
(Decrease) / Increase in outstanding claims	(138,968)	46,366
Increase / (Decrease) in payables	(13,414)	(8,057)
Cash used in operating activities	(457,654)	(28,093)
Tax paid	18,398	(25,764)
Investment income received:		
Dividend	11,027	16,376
Interest	45,987	41,222
Retirement benefits paid	(977)	(287)
Net cash used in operating activities	(383,219)	3,454
<u>Investing activities</u>		
Purchase of property and equipment	(6,799)	(8,904)
Placement in quoted securities	-	(401)
Investment in associated company	(17,007)	-
Acquisition of subsidiary, net of cash acquired	-	28
Others	1,691	522
Net cash used in investing activities	(22,115)	(8,755)
<u>Financing activity</u>		
Repurchase of treasury shares	-	(11,972)
Drawdown of term loan	400,000	-
Term loan interest paid	(11,231)	-
Net cash generated from /(used in) financing activity	388,769	(11,972)
Net decrease in cash and bank balances	(16,565)	(17,273)
Effect of exchange rate changes on cash & cash equivalent	(1,592)	(300)
Cash and bank balances at beginning of period	95,692	70,104
Cash and bank balances at end of period	77,535	52,531

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 30 June 2008

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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