

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

**Quarterly Report On Consolidated Results**  
**For The Quarter Ended 30 September 2009**  
(The figures have not been audited)

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	Individual Quarter		Cumulative Quarter #	
	Current Year 30-Sep-2009 RM'000	Preceding Year 30-Sep-2008 RM'000	Current Year 30-Sep-2009 RM'000	Preceding Year 30-Sep-2008 RM'000
<b>Revenue</b>	254,966	304,495	254,966	304,495
<b>Surplus / (Deficit) from General Insurance Revenue account</b>	37,707	(9,466)	37,707	(9,466)
Investment income	-	-	-	-
Management expense	(962)	(2,213)	(962)	(2,213)
Other expense - Net	9	(47)	9	(47)
Finance expense	(4,108)	(763)	(4,108)	(763)
<b>Operating profit / (loss)</b>	32,646	(12,489)	32,646	(12,489)
Interest income	123	409	123	409
Share of profit of equity accounted associates	(146)	-	(146)	-
<b>Profit / (Loss) before taxation</b>	32,623	(12,080)	32,623	(12,080)
Taxation	(408)	(28)	(408)	(28)
<b>Net profit / (loss)</b>	32,215	(12,108)	32,215	(12,108)
<b>Earnings / (Loss) per share (sen) - Basic</b>	2.16	(0.81)	2.16	(0.81)

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30 September 2009

# The Group has changed its financial year end from 30 June to 31 December. Accordingly, the next financial statements will be for the six months ending 31 December 2009.

**KURNIA ASIA BERHAD (539435-K)**

(Incorporated in Malaysia)

**Quarterly Report On Consolidated Results**

**For The Quarter Ended 30 September 2009**

(The figures have not been audited)

**CONDENSED GENERAL INSURANCE REVENUE ACCOUNTS**

	Individual Quarter Ended									
	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000
Gross Premium	9,342	7,947	191,127	236,223	6,947	6,635	23,899	31,746	231,315	282,551
Less: Reinsurance	(6,137)	(3,795)	(9,983)	(11,691)	(5,621)	(4,746)	(6,185)	(8,339)	(27,926)	(28,571)
Net Premium	3,205	4,152	181,144	224,532	1,326	1,889	17,714	23,407	203,389	253,980
UPR Decrease / (Increase)	1,138	(1,092)	13,123	3,168	204	(116)	4,315	(1,894)	18,780	66
Earned Premium	4,343	3,060	194,267	227,700	1,530	1,773	22,029	21,513	222,169	254,046
Commission (Net)	117	(246)	(17,361)	(21,290)	55	(61)	(3,246)	(4,071)	(20,435)	(25,668)
Net Claims Incurred	(830)	(2,132)	(145,021)	(162,423)	(1,089)	(1,855)	(9,141)	(6,456)	(156,081)	(172,866)
Underwriting surplus / (deficit) before management expense	3,630	682	31,885	43,987	496	(143)	9,642	10,986	45,653	55,512
Management expense									(41,969)	(52,842)
Underwriting surplus/ (deficit)									3,684	2,670
Investment income									23,528	21,535
Other (expense) /income - net									10,495	(33,671)
Surplus / (Deficit) transferred to Condensed Consolidated Income Statement									37,707	(9,466)

	Cumulative Quarter Ended #									
	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000
Gross Premium	9,342	7,947	191,127	236,223	6,947	6,635	23,899	31,746	231,315	282,551
Less: Reinsurance	(6,137)	(3,795)	(9,983)	(11,691)	(5,621)	(4,746)	(6,185)	(8,339)	(27,926)	(28,571)
Net Premium	3,205	4,152	181,144	224,532	1,326	1,889	17,714	23,407	203,389	253,980
UPR Decrease	1,138	(1,092)	13,123	3,168	204	(116)	4,315	(1,894)	18,780	66
Earned Premium	4,343	3,060	194,267	227,700	1,530	1,773	22,029	21,513	222,169	254,046
Commission (Net)	117	(246)	(17,361)	(21,290)	55	(61)	(3,246)	(4,071)	(20,435)	(25,668)
Net Claims Incurred	(830)	(2,132)	(145,021)	(162,423)	(1,089)	(1,855)	(9,141)	(6,456)	(156,081)	(172,866)
Underwriting surplus / (deficit) before management expense	3,630	682	31,885	43,987	496	(143)	9,642	10,986	45,653	55,512
Management expense									(41,969)	(52,842)
Underwriting surplus / (deficit)									3,684	2,670
Investment income									23,528	21,535
Other (expense) / income - net									10,495	(33,671)
Surplus / (Deficit) transferred to Condensed Consolidated Income Statement									37,707	(9,466)

The Condensed Consolidated General Insurance Revenue Accounts should be read in conjunction with the Annual Financial Report for the year ended 30 June 2009

# The Group has changed its financial year end from 30 June to 31 December. Accordingly, the next financial statements will be for the six months ending 31 December 2009.

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

**Quarterly Report On Consolidated Results**  
**For The Quarter Ended 30 September 2009**  
(The figures have not been audited)

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>As At 30-Sep-2009 RM'000</b>	<b>(Audited) As At 30-Jun-2009 RM'000</b>
<b><u>Assets</u></b>		
Property and equipment	181,404	183,162
Goodwill	4,686	4,654
Prepaid lease payment	31,062	31,166
Investment property	7,500	7,500
Investment in associates	16,442	16,403
Investments	1,879,299	1,865,582
Deferred tax assets	17,066	17,025
Loans (secured)	10,611	11,348
Receivables	82,054	84,040
Current tax assets	18,542	17,941
Cash and cash equivalents	50,382	58,075
<b>Total assets</b>	<u>2,299,048</u>	<u>2,296,896</u>
<b><u>Liabilities</u></b>		
Provision for outstanding claims	1,187,035	1,180,210
Payables and accruals	101,188	100,119
Current tax liabilities	128	-
Retirement benefits	22,489	21,192
Term loan	400,000	400,000
	<u>1,710,840</u>	<u>1,701,521</u>
<b><u>Insurance reserve</u></b>		
Unearned premium reserve	<u>369,948</u>	<u>388,470</u>
<b><u>Shareholders' equity</u></b>		
Share capital	375,000	375,000
Reserves	<u>(156,740)</u>	<u>(168,095)</u>
<b>Shareholders' equity</b>	<u>218,260</u>	<u>206,905</u>
<b>Total liabilities and shareholders' equity</b>	<u>2,299,048</u>	<u>2,296,896</u>
<b>Net Assets Value per ordinary share of RM0.25 each (SEN)</b>	<u>14.66</u>	<u>13.90</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30 June 2009

# The Group has changed its financial year end from 30 June to 31 December. Accordingly, the next financial statements will be for the six months ending 31 December 2009.

**KURNIA ASIA BERHAD (539435-K)**

*(Incorporated in Malaysia)*

**Quarterly Report On Consolidated Results**

**For The Quarter Ended 30 September 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
<b><u>3 Months Ended 30/09/2009</u></b>					
Balance at 30 June 2009	375,000	607	(1,953)	(166,749)	206,905
Prior year adjustments#	-	-	-	(21,606)	(21,606)
Balance at 30 June 2009-Restated	375,000	607	(1,953)	(188,355)	185,299
Net profit for the period	-	-	-	32,215	32,215
Foreign exchange translation differences	-	-	746	-	746
Balance as at 30 September 2009	375,000	607	(1,207)	(156,140)	218,260
<b><u>3 Months Ended 30/09/2008</u></b>					
Balance at 30 June 2008	375,000	607	189	(223,799)	151,997
Prior year adjustments#	-	-	-	(25,779)	(25,779)
Balance at 30 June 2008-Restated	375,000	607	189	(249,578)	126,218
Loss for the period	-	-	-	(12,108)	(12,108)
Foreign exchange translation differences	-	-	284	-	284
Balance as at 30 September 2008	375,000	607	473	(261,686)	114,394

# Prior year adjustments relate to the change in the accounting policy on the valuation methodology of claims reserves, which are applied retrospectively

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Annual Financial Reports for the year ended 30 June 2009

# The Group has changed its financial year end from 30 June to 31 December. Accordingly, the next financial statements will be for the six months ending 31 December 2009.

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

**Quarterly Report On Consolidated Results**  
**For The Quarter Ended 30 September 2009**  
(The figures have not been audited)

<b>CONDENSED CONSOLIDATED CASH FLOW STATEMENTS</b>		
	<b>Year-To-Date</b>	
	<b>30-Sep-2009</b>	<b>30-Sep-2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flow from operating activities:</u></b>		
Profit / (Loss) before tax	32,623	(12,080)
Adjustment for:		
Depreciation on property & equipment and amortisation of prepaid lease	5,283	6,032
Decrease in unearned premium reserve	(18,779)	(66)
Investment and interest income	(24,428)	(21,127)
Interest expense	4,108	-
Loss /(Gain) on disposal of investments	(2,573)	3,631
Loss on disposal of / impairment on / writing off fixed assets	(324)	174
Impairment on purchase goodwill	-	-
(Write-back of) / Allowance of diminution in value of investment	(7,298)	26,107
Allowance for doubtful debt / bad debt recovery	(172)	244
Provision for retirement benefits	1,297	1,215
Share of profit of equity accounted associate	146	-
Loss from operations before changes on operating assets and liabilities	(10,117)	4,130
Purchase of investments & fixed and called deposits	(113,700)	(379,722)
Proceeds from redemption and disposal of investments	111,116	64,015
Increase /(Decrease) in loans	736	(538)
Decrease in receivables	7,894	4,402
(Decrease) / Increase in outstanding claims	(14,959)	(88,193)
Increase / (Decrease) in payables	785	1,493
Cash used in operating activities	(18,245)	(394,413)
Tax paid	(883)	(5,845)
Dividend received	5,483	5,801
Interest received	12,886	11,847
Retirement benefits paid	-	(864)
Net cash (used in)/ generated from operating activities	(759)	(383,474)
<b><u>Investing activities</u></b>		
Acquisition of property, plant and equipment	(3,443)	(1,601)
Others	537	267
Net cash (used in) / generated from investing activities	(2,906)	(1,334)
<b><u>Financing activity</u></b>		
Drawdown of term loan	-	400,000
Term loan interest paid	(3,929)	-
Net cash generated from /(used in) financing activity	(3,929)	400,000
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(7,594)</b>	<b>15,192</b>
<b>Effect of exchange rate changes on cash &amp; cash equivalents</b>	<b>(99)</b>	<b>163</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>58,075</b>	<b>95,692</b>
<b>Cash and cash equivalents at end of period</b>	<b>50,382</b>	<b>111,047</b>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 30 June 2009

# The Group has changed its financial year end from 30 June to 31 December. Accordingly, the next financial statements will be for the six months ending 31 December 2009.

# 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 30<sup>th</sup> June 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 annual financial statements for the year ended 30<sup>th</sup> June 2009, except for the following:

- a) change in accounting policy in the valuation methodology in claims reserves, which are applied retrospectively;
- b) change in accounting policy due to change from straight-line method to effective yield method. It has been applied prospectively on the basis that the amount is immaterial and it is impractical to apply retrospectively; and
- c) FRS8 Operating Segments that the Group has adopted since it became effective on 1<sup>st</sup> July 2009.

### **A2. Preceding year’s audit report**

The annual financial statements of the Group for financial year ended 30<sup>th</sup> June 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 (30/09/2009)			Preceding Year-to-date (30/09/2008)		
	Underwriting business in Malaysia	Others	Total	Underwriting business in Malaysia	Others	Total
By operating segments						
Operating revenue	242,853	12,113	254,966	290,718	13,777	304,495
Segment results	38,779	(6,418)	32,361	(9,760)	(2,348)	(12,108)
Share of loss from associate company			(146)			-
Net profit			32,215			(12,108)

**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**

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

**A13. Capital commitments**

Capital commitments not provided for in the interim financial report as at 30<sup>th</sup> September 2009 is as follow:

	RM'000
<u>Property and equipments</u>	
- approved and contracted for	<u>14,566</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 net profit of RM32.215 million for the period ended 30<sup>th</sup> September 2009, as opposed to a net loss of RM12.108 million recorded last year. The significant improvement was mainly driven by a very strong turnaround performance on the Group's investment portfolio on top of an improvement in the Group's underwriting performance year-on-year.

The Group recorded net investment and other income of RM34.023 million for the period under review, compared to net investment loss of RM7.988 million last year. It was mainly due to the recovery of equity market that allowed some write-back of mark-to-market losses provided previously.

On the underwriting end, the Group's gross premium declined year-on-year by 18.1% to RM231.315 million from RM282.551 million due to its more stringent risk selection practice. Notwithstanding the drop in gross premium, the Group's underwriting surplus improved 38.0% to RM3.684 million for the period ended 30<sup>th</sup> September 2009 from the RM2.670 million recorded for the same period last year.

The Group's year-to-date results are mainly derived from KIMB. KAB's foreign subsidiary, KII recorded net loss of RM1.073 million for the financial period under review, while the share of loss from the equity-accounted associate company, KIT amounted to RM0.146 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 RM32.623 million for the quarter under review, an improvement from RM24.574 million recorded in the preceding quarter. The improvement was mainly attributable to the stronger investment performance quarter-on-quarter.

The Group's gross premium and earned premium declined quarter-on-quarter by 5.8% and 5.7%, to RM231.315 million and RM222.169 million respectively, by virtue of the more stringent risk selection practice adhered to by KIMB. Accordingly, underwriting surplus declined from RM8.293 million to RM3.684 million.

Investment and other income improved quarter-on-quarter from a net gain of RM27.691 million to RM34.023 million, mainly due to some recovery in the equity market.

As mentioned in Section B1, the Group's results for the quarter under review were mainly contributed by KIMB. KII's gross premium and pre-tax loss for the quarter amounted to RM12.625 million and RM1.073 million respectively. The Group also equity-accounted its share of its associate company, KIT's net loss amounting to RM0.146 million for the quarter.

### **B3. Prospects for the current financial period**

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 a sustainable performance for the final quarter of the current financial period ending 31<sup>st</sup> December 2009.

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

Not applicable.

**B5. Tax expense**

RM'000	Individual Quarter		Cumulative Quarter	
	Current Year 30/09/2009	Preceding Year-to-date 30/09/2008	Current Year-to-date 30/09/2009	Preceding Year-to-date 30/09/2008
Profit / (Loss) before tax	32,623	(12,080)	32,623	(12,080)
Current year tax expense	408	28	408	28
Deferred tax expense	-	-	-	-
Total tax expense	408	28	408	28
Effective tax rate (%)	1.25	(0.23)	1.25	(0.23)

The Group's effective tax rate differs from the statutory tax rate as its principal subsidiary utilized tax benefits 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 30<sup>th</sup> September 2009, there was no investment in quoted securities.

**B8. Status of corporate proposals**

There were no new corporate proposals announced as at 26<sup>th</sup> October 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 26<sup>th</sup> October 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 26<sup>th</sup> October 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 Board of Directors does not propose any dividend for the quarter and period ended 30<sup>th</sup> September 2009.

**B13. Earnings Per Share**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	30/09/2009	30/09/2008	30/09/2009	30/09/2008
<b><u>Basic</u></b>				
Profit / (Loss) for the year attributable to ordinary shareholders (RM'000)	32,215	(12,108)	32,215	(12,108)
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)	2.16	(0.81)	2.16	(0.81)

SELANGOR DARUL EHSAN  
DATE: 29<sup>th</sup> October 2009  
File: KAB-30September2009Notes