

## PART A – NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

### A1. BASIS OF PREPARATION

The quarterly financial statements have been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (“FRS”) 134 – Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2007.

The following accounting standards (including its consequential amendments) and interpretations have been issued by the Malaysian Accounting Standards Board (MASB):

<b>FRSs/ Interpretations</b>	<b>Effective date</b>
FRS 4, <i>Insurance Contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segment</i>	1 July 2009
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010

The Group plans to early adopt FRS 139, *Financial Instruments: Recognition and Measurement* for the annual period beginning on 1 January 2009 and adopts the remaining abovementioned FRSs/ Interpretations from the annual period beginning on 1 January 2010.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the other standards (and its consequential amendments) and interpretations above is not expected to have any material impact on the financial statements of the Group.

Bank Negara Malaysia has issued detailed guidelines under the Risk-Based Capital Framework for Insurers (“the Framework”) which is effective for annual period beginning on or after 1 January 2009. The Group’s subsidiary company, Lonpac Insurance Bhd will adopt the accounting policies on investments, receivables, unexpired risks and general insurance liabilities as specified in the Framework for the annual period beginning on 1 January 2009. Pursuant to the Framework, the impact of applying these accounting policies will be disclosed in financial statements for the year ending 31 December 2009.

A2. COMMENTS ON SEASONALITY OR CYCLICALITY

Explanatory comments about the seasonality or cyclicity of interim operations. – Not Applicable.

A3. UNUSUAL ITEM AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income, or cash flows which are unusual because of their nature, size, or incidence in the current interim period ended 31 December 2008.

A4. MATERIAL CHANGES IN ESTIMATES

Not Applicable.

A5. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

Saved as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by LPI Capital Bhd ("LPI") :-

Share Buy-Back

On 13 February 2008, the shareholders of LPI renewed their approval for LPI to buy-back its own shares. During the financial period ended 31 December 2008, LPI bought back from the open market, 2,000 LPI Shares listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") at an average buy-back price of RM10.60 per share. The total consideration paid for the share buy-back of LPI Shares by LPI in the financial period ended 31 December 2008, including transaction costs, was RM21,208 and was financed by internally generated funds.

The LPI Shares bought back are held as treasury shares in accordance with Section 67A Subsection (3A)(b) of the Companies Act, 1965. As at 31 December 2008, the total shares bought back and held as treasury shares amounted to 1,053,200 LPI Shares. None of the treasury shares held were resold or cancelled during the financial year ended 31 December 2008.

## A6. DIVIDEND PAID

During the financial year ended 31 December 2008, the Company paid the following dividends:

- a) A special dividend of 25 sen less 26% tax and a final dividend of 55 sen less 26% tax amounting to RM81,501,706 in respect of the financial year ended 31 December 2007 on 25 February 2008.
- b) An interim dividend of 30 sen less 26% tax amounting to RM30,563,471 in respect of the financial year ending 31 December 2008 on 29 July 2008.

## A7. SEGMENTAL REPORTING

The Group segmental reporting is as follows:-

	Revenue		Profit/ (loss) before tax	
	← 12 Months Ended →			
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
a) By business segments:				
General insurance business	604,247	524,036	108,679	94,849
Investment holding	34,479	27,580	32,322	26,913
Financing of leases	2	8	(34)	(4)
	<u>638,728</u>	<u>551,624</u>	<u>140,967</u>	<u>121,758</u>
Share of profit after tax of equity accounted associated company	-	-	597	8
	<u>638,728</u>	<u>551,624</u>	<u>141,564</u>	<u>121,766</u>
b) By geographical locations:				
Malaysia	576,684	486,749	140,133	120,916
Outside Malaysia	62,044	64,875	1,431	850
	<u>638,728</u>	<u>551,624</u>	<u>141,564</u>	<u>121,766</u>

## A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTERLY PERIOD

There were no material events subsequent to the end of the quarterly period that have not been reflected in the financial statements for the quarterly period.

#### A9. EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP

Saved as disclosed below, there were no changes in the composition of the Group during the quarterly period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations.

On 6 May 2008, the Company announced that Public United Leasing & Factoring Sdn Bhd (“PULF”), a wholly-owned subsidiary of the Company, has commenced Member's Voluntary Winding-up on 6 May 2008 pursuant to Section 254(1)(b) of the Companies Act, 1965.

On 10 November 2008, the Company announced that London & Pacific Holdings Sdn Bhd (“LPHSB”), a wholly-owned subsidiary of the Company, has commenced Member's Voluntary Winding-up on 10 November 2008 pursuant to Section 254(1)(b) of the Companies Act, 1965.

The winding-up of PULF and LPHSB will not have any material effect on the earnings and net assets of the Group for the financial year ended 31 December 2008.

#### A10. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Group does not have any contingent assets and there were no material changes in the Group's contingent liabilities since the last annual balance sheet date.

### **PART B – ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS**

#### B1. REVIEW OF PERFORMANCE

The Group's revenue and profit before tax for the current quarter and financial year ended 31 December 2008 increased as compared to the previous corresponding quarter and financial year in 2007.

For the current quarter and financial year ended 31 December 2008, the Group's revenue recorded significant increase by 12.5% to RM117.1 million and by 15.8% to RM638.7 million respectively. The increase was mainly due to higher gross premium underwritten.

The Group's profit before tax also increased significantly by 27.6% to RM44.5 million for the current quarter and by 16.3% to RM141.6 million for the financial year ended 31 December 2008. The increase was mainly due to higher underwriting profit.

**B2. MATERIAL CHANGES IN THE PROFIT BEFORE TAX FOR THE QUARTER REPORTED ON WITH THE IMMEDIATE PRECEDING QUARTER**

For the fourth quarter ended 31 December 2008, the Group recorded higher profit before tax of RM44.5 million as compared to RM35.4 million in the preceding quarter ended 30 September 2008. The increase in the profit before tax for the said quarter was mainly due to higher underwriting profit.

**B3. NEXT FINANCIAL YEAR**

- a) Barring unforeseen circumstances, prospects for LPI Group for the year 2009 should be satisfactory.
- b) Commentary on the Company's progress to achieve the revenue or profit estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document and steps taken or proposed to be taken to achieve the revenue or profit estimate, forecast, projection or internal targets. – Not Applicable.

**B4. STATEMENT ON REVENUE OR PROFIT ESTIMATE, FORECAST, PROJECTION OR INTERNAL TARGETS PREVIOUSLY ANNOUNCED OR DISCLOSED IN A PUBLIC DOCUMENT**

A statement of the Board of Directors' opinion as to whether the revenue or profit estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document are likely to be achieved. – Not Applicable.

**B5. EXPLANATORY NOTE FOR VARIANCE FROM PROFIT FORECAST OR PROFIT GUARANTEE PREVIOUSLY ANNOUNCED OR DISCLOSED IN A PUBLIC DOCUMENT**

- a) Any variance of actual profit after tax and minority interest and the forecast profit after tax and minority interest (where the variance exceeds 10%). – Not Applicable.
- b) Any shortfall in the profit guarantee received by the Company and steps to recover the shortfall. – Not Applicable.

B6. TAXATION

RM'000	Individual Quarter		Cumulative Quarter	
	Current Quarter 31.12.2008	Preceding Year Quarter 31.12.2007	Current Year to Date 31.12.2008	Preceding Year to Date 31.12.2007
Profit before taxation	44,517	34,877	141,564	121,766
Income tax:				
Current tax charge	11,820	10,058	37,271	34,789
Under / (Over) provision in prior year	7	(391)	46	(793)
	11,827	9,667	37,317	33,996
Effective tax rate on current tax charge	27%	29%	26%	29%

The effective tax rate on the current tax charge of the Group for the current quarter ended 31 December 2008 is higher than the statutory tax rate due to certain expenses which are not tax deductible.

B7. PROFIT/ (LOSS) ON SALE OF UNQUOTED INVESTMENTS AND/ OR PROPERTIES

There was no sale of unquoted investments for the current quarter and financial year ended 31 December 2008.

There was no sale of properties for the current quarter and financial year ended 31 December 2008.

B8. QUOTED SECURITIES

a) The following are the particulars of purchase or disposal of quoted securities other than in respect of its insurance subsidiary:

i) Purchase

RM'000	<u>Current Quarter</u>	<u>Current Year to Date</u>
Total purchase consideration	12,319	33,352

ii) Sale

There was no sale of quoted investments for the current quarter and financial year ended 31 December 2008.

b) Investments in quoted shares as at 31 December 2008:

	RM'000
i) At cost	: 166,095
ii) At book value	: 166,095
iii) At market value	: 392,385

**B9. STATUS OF CORPORATE PROPOSALS**

- a) Corporate proposal announced but not completed as at 1 January 2009, the latest practicable date which is not earlier than 7 days from the date of the issue of this quarterly report is as follows :-

Announcement on 27 November 2008

Proposed renewal of share buy-back authority from the shareholders.

The above proposal is pending approval being obtained from the shareholders of the Company at the forthcoming Annual General Meeting.

- b) Brief explanation of the status of utilisation of proceeds raised from any corporate proposal – Not Applicable.

**B10. GROUP BORROWINGS AND DEBT SECURITIES**

There were no group borrowings and debt securities as at 31 December 2008.

**B11. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instruments as at 1 January 2009, the latest practicable date which is not earlier than 7 days from date of issue of this quarterly report.

**B12. CHANGES IN MATERIAL LITIGATION**

There were no pending material litigations since the last annual balance sheet date up to 1 January 2009, which is not earlier than 7 days from date of issue of this quarterly report.

### B13. DIVIDEND

- a. i) A final dividend for the financial year ended 31 December 2008 has been recommended;
- ii) The amount per share: 55 sen less 25% tax;
- iii) The previous corresponding period: a special dividend of 25 sen less 26% tax and a final dividend of 55 sen less 26% tax.
- iv) The date payable: 24 February 2009.
- v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 18 February 2009; and

- b. The total dividend for the current financial year :-

Interim dividend	:	30 sen less 26% tax
Final dividend	:	55 sen less 25% tax
Total dividend	:	<b>85 sen</b>

### B14. EARNINGS PER SHARE

Earnings per share are calculated based on the following:-

#### a) Basic earnings per share

	Current Quarter Ended 31.12.08	12 Months Cumulative to Date 31.12.08	Current Quarter Ended 31.12.07	12 Months Cumulative to Date 31.12.07
Profit after tax (RM'000)	32,690	104,247	25,210	87,770
Weighted average no. of ordinary shares in issue (‘000)	137,670	137,670	137,672	137,672
Basic earnings per share (sen)	23.75	75.72	18.31	63.75

- b) **Diluted earnings per share.** – Not Applicable.



**B15. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT**

The audit report of the Group's preceding annual financial statements was not qualified.