

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 2009.

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following:

FRSs/ Interpretations	Effective date
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
FRS101, <i>Presentation of Financial Statements</i>	1 January 2010
FRS 123, <i>Borrowing Costs</i>	1 January 2010
Amendments to FRS 1, <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127, <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
Amendments to FRS 132, <i>Financial Instruments: Presentation</i> and FRS 101, <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>	1 January 2010
Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i> , FRS 7, <i>Financial Instruments: Disclosures</i> and IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Improvements to FRSs (2009)	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 11, FRS 2 – <i>Group and Treasury Share Transactions</i>	1 January 2010

Other than the implications as discussed below, the adoption of the above standards, amendments and interpretations do not have any material impact on the financial statements of the Group:

A1. BASIS OF PREPARATION (cont'd)

a) FRS 4: Insurance Contracts

The adoption of FRS 4 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 FRS 4.

b) FRS 8: Operating Segments

FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group presents its segment information based on its business segments, which is also the basis of presenting its monthly internal management reports. The basis of measurement of segment results, segment assets and segment liabilities are same as the basis of measurement for external reporting.

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 30 June 2010.

A4. MATERIAL CHANGES IN ESTIMATES

Not Applicable.

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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by LPI Capital Bhd ("LPI") in the current interim period ended 30 June 2010.

A6. DIVIDEND PAID

In the current interim period ended 30 June 2010, the Company paid a final single tier dividend of 41.25 sen per ordinary share amounting to RM56,788,174 in respect of the financial year ended 31 December 2009 on 25 February 2010.

A7. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business segments. The primary format by business segments is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group comprises the following main business segments:

General insurance Underwriting of all classes of general insurance business

Investment holding Investment holding operations

a) Segment reporting:

RM'000	6 Months Ended					
	General insurance		Investment holding		Total	
	2010	2009	2010	2009	2010	2009
External revenue	399,618	354,872	23,892	22,381	423,510	377,253
Inter-segment revenue	-	-	-	80,303	-	80,303
Segment profit before tax	64,102	108,126	20,625	77,932	84,727	186,058
Segment assets	1,186,091	830,238	803,927	672,589	1,990,018	1,502,827
Segment liabilities	887,025	578,324	62,565	83,382	949,590	661,706

A7. OPERATING SEGMENTS (cont'd)

b) Reconciliation of reportable segment profit:

RM'000	← 6 Months Ended →	
	2010	2009
Total profit for reportable segments	84,727	186,058
Other non-reportable segments	-	(1)
Elimination of inter-segment profits	-	(113,826)
Consolidated profit before tax	<u>84,727</u>	<u>72,231</u>

c) Reconciliation of reportable segment assets:

RM'000	← 6 Months Ended →	
	2010	2009
Total assets for reportable segments	1,990,018	1,502,827
Other non-reportable segments	163	169
Elimination of inter-segment assets	(100,621)	(100,266)
Consolidated assets	<u>1,889,560</u>	<u>1,402,730</u>

d) Reconciliation of reportable segment liabilities:

RM'000	← 6 Months Ended →	
	2010	2009
Total liabilities for reportable segments	949,590	661,706
Other non-reportable segments	19	25
Elimination of inter-segment liabilities	(521)	(166)
Consolidated liabilities	<u>949,088</u>	<u>661,565</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

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.

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

For the second quarter ended 30 June 2010, the Group's revenue and profit before tax increased as compared to the previous corresponding quarter in 2009.

The Group's revenue increased by 12.2% to RM423.5 million as compared to RM377.3 million in the same corresponding quarter in 2009. The increase was mainly due to higher gross premium underwritten. The Group's profit before tax increased by 17.3% to RM84.7 million as compared to RM72.2 million in the same corresponding quarter in 2009. 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 second quarter ended 30 June 2010, the Group recorded lower profit before tax of RM35.9 million as compared to RM48.8 million in the preceding quarter ended 31 March 2010. The decrease in the profit before tax for the said quarter was mainly due to higher investment income received in the preceding quarter.

B3. CURRENT YEAR PROSPECTS

- a) Barring unforeseen circumstances, prospects for LPI Group for the year 2010 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 Ended 30.06.2010	Preceding Year Quarter Ended 30.06.2009	Current Year to Date Ended 30.06.2010	Preceding Year to Date Ended 30.06.2009
Profit before taxation	35,896	29,994	84,727	72,231
Income tax:				
Current tax charge	9,418	7,252	19,927	14,392
Under / (Over) provision in prior year	34	-	34	(381)
	9,452	7,252	19,961	14,011
Effective tax rate on current tax charge	26%	24%	24%	20%

The effective tax rate on the current tax charge of the Group for the current quarter is higher than the statutory tax rate mainly due to certain non-tax deductible expenses. However, the effective tax rate is lower for the financial period ended 30 June 2010 due to tax-exempt dividends received and certain income being taxed at reduced rate.

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

There was no sale of unquoted investments for the current quarter ended 30 June 2010. For the current financial period ended 30 June 2010, the profit on sale of unquoted investments was RM87,055.57.

There was no sale of properties for the current quarter and financial period ended 30 June 2010.

B8. QUOTED SECURITIES

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

- a) There was no purchase or disposal of quoted investments for the current quarter and financial period ended 30 June 2010.
- b) Investments in quoted shares as at 30 June 2010:-

	RM'000
Available-for-sale financial assets	<u>662,573</u>

B9. STATUS OF CORPORATE PROPOSALS

- a) There was no corporate proposal announced but not completed as at 1 July 2010, the latest practicable date which is not earlier than 7 days from the date of the issue of this quarterly report.
- b) Brief explanation of the status of utilisation of proceeds raised from any corporate proposal – Not Applicable.

B10. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowing as at 30 June 2010 was as follows:-

Non-current	RM'000
Unsecured	<u>62,880</u>

B11. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 June 2010. – Not Applicable.

B12. GAINS/ LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

There were no gains/ losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 30 June 2010.

B13. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 1 July 2010, which is not earlier than 7 days from date of issue of this quarterly report.

B14. DIVIDEND

a) i) An interim dividend has been declared by the Directors;

ii) The amount per share:

	<u>Net per share</u> <u>(sen)</u>
• Single tier dividend	<u>10.00</u>

iii) The previous corresponding period:

	<u>Net per share</u> <u>(sen)</u>
• Franked dividend of 7 sen less 25% tax	5.25
• Single tier dividend	<u>21.00</u>
	<u>26.25</u>

iv) The date payable: 29 July 2010;

v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 23 July 2010; and

b) The total dividend for the 6 months ended 30 June 2010: 10.00 sen single tier dividend per share.

B15. EARNINGS PER SHARE

Earnings per share are calculated based on the following:-

a) Basic earnings per share

	Current Quarter Ended 30.06.10	6 Months Cumulative to Date 30.06.10	Current Quarter Ended 30.06.09	6 Months Cumulative to Date 30.06.09
Profit after tax (RM'000)	26,444	64,766	22,742	58,220
Weighted average no. of ordinary shares in issue (‘000)	137,668	137,668	137,669	137,669
Basic earnings per share (sen)	19.21	47.05	16.52	42.29

b) Diluted earnings per share. – Not Applicable.

B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

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