

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 2010.

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 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 (revised)</i>	1 July 2010
FRS 127, <i>Consolidated and Separate Financial Statements (revised)</i>	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, FRS 2 – <i>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>	1 July 2010
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

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any significant financial impact to the financial statements upon their first adoption.

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 September 2011.

A4. MATERIAL CHANGES IN ESTIMATES

Not Applicable.

A5. ISSUES, 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") :-

Subsequent sale of treasury shares

At the beginning of the financial year, the Company held 1,054,700 LPI Shares as treasury shares out of its total issued and paid-up share capital of 221,323,980 LPI Shares at a carrying amount of RM8,627,807.

During the nine (9) months ended 30 September 2011, the Company resold 40,100 of its treasury shares in the open market at an average price of RM14.04 per share. The difference of RM232,719 between the sales consideration and the carrying amount of the shares has been credited to the Share Premium Account.

As at 30 September 2011, the total number of treasury shares was 1,014,600 LPI Shares at a carrying amount of RM8,299,775.

A6. DIVIDEND PAID

During the nine (9) months ended 30 September 2011, the Company paid the following dividends:

- a) A second interim single tier dividend of 45.00 sen per ordinary share amounting to RM99,121,176 in respect of the financial year ended 31 December 2010 on 31 January 2011; and
- b) An interim single tier dividend of 25.00 sen per ordinary share amounting to RM55,077,345 in respect of the financial year ending 31 December 2011 on 28 July 2011.

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	← 9 Months Ended →					
	General insurance		Investment holding		Total	
	2011	2010	2011	2010	2011	2010
External revenue	632,278	523,005	31,408	38,322	663,686	561,327
Inter-segment revenue	-	-	56,000	25,000	56,000	25,000
Segment profit before tax	121,470	98,676	82,627	58,496	204,097	157,172
Segment assets	1,674,537	1,370,244	901,392	958,212	2,575,929	2,328,456
Segment liabilities	1,260,581	1,068,631	40,352	63,325	1,300,933	1,131,956

A7. OPERATING SEGMENTS (cont'd)

b) Reconciliation of reportable segment profit:

RM'000	← 9 Months Ended →	
	2011	2010
Total profit for reportable segments	204,097	157,172
Other non-reportable segments	(1)	-
Elimination of inter-segment profits	(56,042)	(25,000)
Consolidated profit before tax	<u>148,054</u>	<u>132,172</u>

c) Reconciliation of reportable segment assets:

RM'000	← 9 Months Ended →	
	2011	2010
Total assets for reportable segments	2,575,929	2,328,456
Other non-reportable segments	-	163
Elimination of inter-segment assets	(200,557)	(100,642)
Consolidated assets	<u>2,375,372</u>	<u>2,227,977</u>

d) Reconciliation of reportable segment liabilities:

RM'000	← 9 Months Ended →	
	2011	2010
Total liabilities for reportable segments	1,300,933	1,131,956
Other non-reportable segments	-	19
Elimination of inter-segment liabilities	(557)	(542)
Consolidated liabilities	<u>1,300,376</u>	<u>1,131,433</u>

A8. EVENTS AFTER THE INTERIM PERIOD

There were no material events after the interim period that have not been reflected in the financial statements for the interim 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 27 April 2011, the Company announced that Public United Leasing & Factoring Sdn Bhd (“PULF”), a wholly-owned subsidiary of the Company, which commenced Member’s Voluntary Winding-Up on 6 May 2008 and held its final meeting on 27 January 2011, and was dissolved on 27 April 2011. The dissolution of PULF does not have any material effect on the earnings and net assets of the Group for the financial period ended 30 September 2011.

On 30 May 2011, the Company subscribed for an additional 100,000,000.00 new ordinary shares of RM1.00 each in its wholly-owned subsidiary, Lonpac Insurance Bhd for a total cash consideration of RM100,000,000.00.

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 for the current quarter and financial period ended 30 September 2011 increased by 21.5% to RM236.4 million and by 18.2% to RM663.7 million respectively as compared to the same corresponding current quarter and financial period in 2010. The increase was mainly due to higher gross premium underwritten.

The Group’s profit before tax for the current quarter and financial period ended 30 September 2011 increased by 17.9% to RM55.9 million and by 12.0% to RM148.1 million respectively as compared to the same corresponding current quarter and financial period in 2010. 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 third quarter ended 30 September 2011, the Group recorded higher profit before tax of RM55.9 million as compared to RM42.0 million in the preceding quarter ended 30 June 2011. The increase in the profit before tax for the said quarter was mainly due to higher investment income received.

B3. CURRENT YEAR PROSPECTS

- a) Barring unforeseen circumstances, prospects for LPI Group for the year 2011 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 30.09.2011	Preceding Year Quarter Ended 30.09.2010	Current Year to Date Ended 30.09.2011	Preceding Year to Date Ended 30.09.2010
Profit before taxation	55,948	47,445	148,054	132,172
Income tax:				
Current tax charge	11,354	11,968	33,417	31,895
Under / (Over) provision in prior year	(522)	(728)	(523)	(694)
	10,832	11,240	32,894	31,201
Effective tax rate on current tax charge	20%	25%	23%	24%

The effective tax rate on the current tax charge of the Group for the current quarter and financial period ended 30 September 2011 is lower than the statutory tax rate mainly due to tax-exempt dividends received and certain income being taxed at a reduced rate.

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

There were no sale of unquoted investments and/or properties for the current quarter and financial period ended 30 September 2011.

B8. QUOTED SECURITIES

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

- There was no purchase or disposal of quoted investments for the current quarter and financial period ended 30 September 2011.
- Investments in quoted shares as at 30 September 2011:-

	RM'000
Available-for-sale financial assets	<u>679,323</u>

B9. STATUS OF CORPORATE PROPOSALS

- a) There was no corporate proposal announced but not completed as at 29 September 2011, 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 September 2011 was as follows:-

Short term	RM'000
Unsecured	<u>39,500</u>

B11. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 September 2011. – 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 September 2011.

B13. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 29 September 2011, which is not earlier than 7 days from date of issue of this quarterly report.

B14. DIVIDEND

The total dividend for the nine (9) months ended 30 September 2011 was 25.00 sen single tier per share.

B15. EARNINGS PER SHARE

Earnings per share are calculated based on the following:-

a) Basic earnings per share

	Current Quarter Ended 30.09.11	Current Quarter Ended 30.09.10	9 Months Cumulative to Date 30.09.11	9 Months Cumulative to Date 30.09.10
Profit after tax (RM'000)	45,116	36,205	115,160	100,971
Weighted average no. of ordinary shares in issue (‘000)	220,306	214,900	220,282	214,701
Basic earnings per share (sen)	20.48	16.85	52.28	47.03

b) Diluted earnings per share. – Not Applicable.

B16. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 30 September 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 30.09.2011 RM'000	As at 31.12.2010 RM'000
Total retained profits of the Group:		
- Realised	315,398	355,243
- Unrealised	4,626	4,499
	<u>320,024</u>	<u>359,742</u>
Total share of retained profits from associate		
- Realised	2,956	2,276
- Unrealised	-	-
	<u>322,980</u>	<u>362,018</u>
Less: Consolidation adjustments	(143,122)	(143,122)
Total retained profits as per statement of financial position	<u>179,858</u>	<u>218,896</u>

B16. DISCLOSURE OF REALISED AND UNREALISED PROFITS (CONT'D)

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.

B17. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

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