

**PART A – NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARD (“MFRS”) 134**

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting, and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2014.

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 2014, except for the adoption of the following:

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 8, <i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 13, <i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 116, <i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 124, <i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 140, <i>Investment Property (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014

The initial application of the abovementioned standards, amendments and interpretations are not expected to have any material impacts to the current and prior periods financial statements upon their first adoption.

A2. COMMENTS ON SEASONALITY OR CYCLICALITY

The Group's insurance business operations were not significantly affected by seasonality or cyclical factors for the period under review.

However, for the investment holding segment, the dividend income generated from the dividend stocks are subject to timing of the payment of dividend which may fluctuate when comparing quarter to quarter. The Group's investment income is seasonally stronger in 1st Quarter and 3rd Quarter.

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 March 2015.

A4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current interim period ended 31 March 2015.

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") :-

Issuance of new Ordinary Shares

During the three (3) months ended 31 March 2015, the Company increased its issued and paid up ordinary share capital from 221,323,980 to 331,985,808 by way of issuance of 110,661,828 new ordinary shares of RM1.00 each ("LPI Shares") on 24 March 2015 pursuant to the approved proposed Bonus Issue by the shareholders at an Extraordinary General Meeting held on 9 March 2015. The new LPI Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 25 March 2015.

A6. DIVIDEND PAID

In the current interim period ended 31 March 2015, the Company paid a second interim single tier dividend of 55.00 sen per ordinary share amounting to RM121,728,189 in respect of the financial year ended 31 December 2014 on 26 February 2015.

A7. OPERATING SEGMENT

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports on a monthly basis. Inter-segment pricing, if any, 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. Segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. 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, mainly carried out by Lonpac Insurance Bhd

Investment holding - Investment holding operations, mainly carried out by LPI Capital Bhd

a) Segment reporting:

RM'000	← 3 Months Ended →					
	General insurance		Investment holding		Total	
	2015	2014	2015	2014	2015	2014
External revenue	273,033	260,512	18,697	17,286	291,730	277,798
Inter-segment revenue	-	-	90,000	130,000	90,000	130,000
Segment profit before tax	54,123	47,217	106,623	145,457	160,746	192,674
Segment assets	2,393,901	2,173,825	1,354,318	1,299,377	3,748,219	3,473,202
Segment liabilities	1,888,403	1,746,424	36,306	822	1,924,709	1,747,246

A7. OPERATING SEGMENT (CONT'D)

i) Reconciliation of reportable segment profit:

RM'000	← 3 Months Ended →	
	2015	2014
Total profit for reportable segments	160,746	192,674
Elimination of inter-segment profit	(90,000)	(130,000)
Consolidated profit before tax	<u>70,746</u>	<u>62,674</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 3 Months Ended →	
	2015	2014
Total assets for reportable segments	3,748,219	3,473,202
Elimination of inter-segment assets	(200,251)	(200,236)
Consolidated assets	<u>3,547,968</u>	<u>3,272,966</u>

ii) Reconciliation of reportable segment liabilities:

RM'000	← 3 Months Ended →	
	2015	2014
Total assets for reportable segments	1,924,709	1,747,246
Elimination of inter-segment liabilities	(251)	(236)
Consolidated liabilities	<u>1,924,458</u>	<u>1,747,010</u>

A7. OPERATING SEGMENTS (CONT'D)

b) Underwriting results of insurance fund for the financial period ended 31 March:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Gross written premiums	144,669	130,332	79,647	71,315	45,604	49,439	102,453	103,518	372,373	354,604
Change in unearned premiums provision	(52,418)	(50,404)	(14,132)	(7,728)	(19,076)	(20,356)	(24,208)	(24,501)	(109,834)	(102,989)
Gross earned premiums	92,251	79,928	65,515	63,587	26,528	29,083	78,245	79,017	262,539	251,615
Gross written premiums ceded to reinsurers	(63,216)	(60,649)	(16,116)	(13,872)	(41,916)	(45,502)	(50,158)	(48,599)	(171,406)	(168,622)
Change in unearned premiums provision	20,496	20,070	5,099	256	17,323	20,318	9,805	12,262	52,723	52,906
Premiums ceded to Reinsurers	(42,720)	(40,579)	(11,017)	(13,616)	(24,593)	(25,184)	(40,353)	(36,337)	(118,683)	(115,716)
Net earned premiums	49,531	39,349	54,498	49,971	1,935	3,899	37,892	42,680	143,856	135,899
Net claims incurred	(9,610)	(6,814)	(42,592)	(36,833)	(567)	(1,780)	(17,903)	(23,652)	(70,672)	(69,079)
Commission income	14,434	10,495	1,990	2,356	2,391	2,328	11,258	9,824	30,073	25,003
Commission expense	(11,307)	(10,030)	(6,366)	(6,460)	(973)	(1,548)	(9,903)	(10,655)	(28,549)	(28,693)
Net commission	3,127	465	(4,376)	(4,104)	1,418	780	1,355	(831)	1,524	(3,690)
Total out-go	(6,483)	(6,349)	(46,968)	(40,937)	851	(1,000)	(16,548)	(24,483)	(69,148)	(72,769)
Underwriting surplus before management expenses	43,048	33,000	7,530	9,034	2,786	2,899	21,344	18,197	74,708	63,130
Management expenses									(32,608)	(30,267)
Underwriting surplus after management expenses									42,100	32,863
Net claims incurred ratio (%)	19.4	17.3	78.2	73.7	29.3	45.7	47.2	55.4	49.1	50.8

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

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.

A11. FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

A11. FINANCIAL INSTRUMENTS (CONT'D)

Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the condensed consolidated statement of financial position.

31.03.2015	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
RM'000										
Financial assets										
Available-for-sale financial assets										
- Unit trust	5,799	-	-	5,799	-	-	-	-	5,799	5,799
- Quoted shares	1,115,187	-	-	1,115,187	-	-	-	-	1,115,187	1,115,187
Held-to-maturity financial assets										
- Malaysian Government Securities	-	-	-	-	-	39,903	-	39,903	39,903	39,619
- Malaysian Government Guaranteed Loans	-	-	-	-	-	25,167	-	25,167	25,167	25,110
- Singapore Government Securities	-	-	-	-	-	1,389	-	1,389	1,389	1,345
- Corporate debts securities	-	-	-	-	-	238,566	-	238,566	238,566	231,716
	<u>1,120,986</u>	<u>-</u>	<u>-</u>	<u>1,120,986</u>	<u>-</u>	<u>305,025</u>	<u>-</u>	<u>305,025</u>	<u>1,426,011</u>	<u>1,418,776</u>

A11. FINANCIAL INSTRUMENTS (CONT'D)

Fair value information (cont'd)

31.12.2014 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets										
Available-for-sale financial assets										
- Unit trust	5,964	-	-	5,964	-	-	-	-	5,964	5,964
- Quoted shares	1,080,900	-	-	1,080,900	-	-	-	-	1,080,900	1,080,900
Held-to-maturity financial assets										
- Malaysian Government Securities	-	-	-	-	-	44,758	-	44,758	44,758	44,642
- Malaysian Government Guaranteed Loans	-	-	-	-	-	25,039	-	25,039	25,039	25,115
- Singapore Government Securities	-	-	-	-	-	1,406	-	1,406	1,406	1,342
- Corporate debts securities	-	-	-	-	-	238,228	-	238,228	238,228	231,856
	<u>1,086,864</u>	<u>-</u>	<u>-</u>	<u>1,086,864</u>	<u>-</u>	<u>309,431</u>	<u>-</u>	<u>309,431</u>	<u>1,396,295</u>	<u>1,389,819</u>

A11. FINANCIAL INSTRUMENTS (CONT'D)

Fair value information (cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the current interim period ended 31 March 2015. (31.03.2014: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions of the Group are as follows:-

RM'000	Companies in which a Director has substantial financial interest	
	Current Year To Date Ended 31.03.2015	Preceding Year Corresponding Period Ended 31.03.2014
Income earned:		
Premium income	21,387	21,236
Dividend income	18,713	17,585
Fixed deposits income	1,000	1,087
Corporate debt securities' interest income	868	868
	<u>41,968</u>	<u>40,776</u>
Expenditure incurred:		
Rental paid	(698)	(712)
Insurance commission	(10,420)	(9,551)
	<u>(11,118)</u>	<u>(10,263)</u>

PART B – ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1. REVIEW OF GROUP PERFORMANCE

The Group registered an increase in both revenue and profit before tax for the first quarter of 2015. The Group's revenue rose by 5.0% to RM291.7 million largely contributed by the general insurance segment which recorded a growth of 4.8% to RM273.0 million over the previous corresponding quarter in 2014. The increase in the revenue of the general insurance segment was mainly contributed by higher gross earned premium for the quarter which registered a growth of RM10.9 million or 4.3% to RM262.5 million as compared to RM251.6 million recorded in the previous corresponding quarter in 2014. The revenue from the investment holding segment grew from RM17.3 million to RM18.7 million as compared to the previous corresponding quarter in 2014 mainly due to higher dividend income received during the current quarter.

The growth in both of the gross and net earned premiums have translated into better underwriting results. Total underwriting profit for the current quarter gained 28.0% or 9.2 million to RM42.1 million compared to RM32.9 million in the previous corresponding quarter. With the improvement in underwriting results, the Group recorded a higher profit before tax of RM54.1 million from the general insurance segment, a rise of 14.6% or RM6.9 million on the back of an improved performance by its wholly-owned subsidiary, Lonpac Insurance Bhd ("Lonpac"). In addition, investment holding segment also recorded a higher profit before tax of RM16.6 million as compared to RM15.5 million in the previous corresponding quarter in 2014 mainly due to higher dividend income received. The two segments have contributed to a total profit before tax of RM70.7 million, increased by RM8.0 million compared to the same quarter last year.

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

For the first quarter ended 31 March 2015, the Group recorded a lower profit before tax of RM70.7 million as compared to RM133.3 million in the preceding quarter ended 31 December 2014. The decrease in profit before tax for the said quarter was partly due to the lower net earned premium and the absence of a one-time gain of RM63.8 million on disposal of investment in equities that contributed to the higher profit for the fourth quarter 2014.

B3. CURRENT YEAR PROSPECT

- a) Globally, most countries are facing tough and unfavourable economic circumstances. In Malaysia, the challenging issues such as implementation of Goods and Services Tax, low petroleum prices and lackluster property market are expected to be temporary and the Group believes that Malaysian economy will achieve the targeted 4.5% - 5.5% Gross Domestic Product growth by year end. Facing these external economic weaknesses and intense competition, the Group will continue to implement business innovation and improve its productivity and operational efficiency. The Group is optimistic to see satisfactory growth in its overall operation and will enhance its shareholder value.
- 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 Year Quarter Ended 31.03.2015	Preceding Year Corresponding Quarter Ended 31.03.2014	Current Year To Date Ended 31.03.2015	Preceding Year Corresponding Period Ended 31.03.2014
Profit before tax	70,746	62,674	70,746	62,674
Income tax:				
Current tax charge	13,543	12,094	13,543	12,094
Under / (Over) provision in prior year	6	(1)	6	(1)
	<u>13,549</u>	<u>12,093</u>	<u>13,549</u>	<u>12,093</u>
Effective tax rate on current tax charge	19%	19%	19%	19%

The effective tax rate on the current tax charge of the Group for the current quarter and financial period ended 31 March 2015 is lower than the statutory tax rate mainly due to tax-exempt dividends received and certain income being taxed at a reduced rate.

B7. STATUS OF CORPORATE PROPOSALS

- a) There was no corporate proposal announced but not completed as at 1 April 2015, 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.

B8. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowing as at 31 March 2015 was as follows:-

Short term	RM'000
Unsecured	<u>35,000</u>

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 March 2015. – Not Applicable.

B10. 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 31 March 2015.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 1 April 2015, which is not earlier than 7 days from date of issue of this quarterly report.

B12. DIVIDEND

No interim ordinary dividend has been recommended in this quarter.

B13. EARNINGS PER SHARE

a) **Basic earnings per share**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Profit after tax (RM'000)	57,197	50,581	57,197	50,581
Weighted average no. of ordinary shares in issue ('000)	331,986	330,971	331,986	330,971
Basic earnings per share (sen)	17.23	15.28	17.23	15.28

Comparative figures for the weighted average number of ordinary shares for basic earnings per share have been restated to reflect the adjustment arising from the Bonus Issue during the current interim financial period ended 31 March 2015.

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

B14. PROFIT FOR THE PERIOD

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Finance costs	371	74	371	74
Depreciation of plant and equipment (N1)	1,045	1,116	1,045	1,116
Net foreign exchange loss (N1)	116	49	116	49
and after crediting:				
Interest income (N2)	10,266	8,359	10,266	8,359
Dividend income (N2)	18,716	17,587	18,716	17,587
Rental income (N2)	209	237	209	237
Gain on disposal of quoted and unquoted investments (N3)	-	3,832	-	3,832

Other than the items above which have been included in the Condensed Consolidated Statement of Profit or Loss, there were no impairment allowance on insurance receivables, impairments of assets, gain or loss on derivatives and exceptional items for the current financial period ended 31 March 2015.

(N1) Depreciation of plant and equipment and net foreign exchange loss are reported under item management expenses in the Condensed Consolidated Statement of Profit or Loss.

(N2) Interest income, dividend income and rental income are reported under item investment income in the Condensed Consolidated Statement of Profit or Loss.

(N3) Gain on disposal of quoted and unquoted investments are reported under item realised gains and losses in the Condensed Consolidated Statement of Profit or Loss.

B15. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 March 2015, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, are as follows:

	As at 31.03.2015 RM'000	As at 31.12.2014 RM'000
Total retained profits of the Group:		
- Realised	485,323	550,522
- Unrealised	15,706	15,905
	<u>501,029</u>	<u>566,427</u>
Total share of retained profits from associated company		
- Realised	6,576	5,709
	<u>507,605</u>	<u>572,136</u>
Less: Consolidation adjustments	(134,836)	(134,836)
Total retained profits as per statement of financial position	<u><u>372,769</u></u>	<u><u>437,300</u></u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

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