

LPI CAPITAL BHD

Condensed Consolidated Statement of Profit or Loss For The Quarter Ended 30 June 2015 - Unaudited

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2015 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2014 RM'000	Current Year To Date Ended 30.06.2015 RM'000	Preceding Year Corresponding Period Ended 30.06.2014 RM'000
Operating revenue	304,726	291,491	596,456	569,289
Gross written premiums	303,225	251,407	675,598	606,011
Change in unearned premiums provision	(9,853)	30,612	(119,687)	(72,377)
Gross earned premiums	293,372	282,019	555,911	533,634
Gross written premiums ceded to reinsurers	(121,509)	(86,026)	(292,915)	(254,648)
Change in unearned premiums provision	5,179	(22,749)	57,902	30,157
Premiums ceded to reinsurers	(116,330)	(108,775)	(235,013)	(224,491)
Net earned premiums	177,042	173,244	320,898	309,143
Investment income	11,354	9,472	40,545	35,655
Realised gains and losses	39,235	-	39,236	3,923
Commission income	22,789	21,637	52,862	46,640
Other operating income	2,095	830	2,846	2,006
Other income	75,473	31,939	135,489	88,224
Gross claims paid	(91,642)	(78,903)	(325,753)	(167,314)
Claims ceded to reinsurers	31,828	22,499	210,656	51,134
Gross change in contract liabilities	(32,809)	(43,051)	(75,050)	(88,552)
Change in contract liabilities ceded to reinsurers	15,295	27,842	42,147	64,040
Net claims incurred	(77,328)	(71,613)	(148,000)	(140,692)
Commission expense	(32,998)	(32,738)	(61,547)	(61,431)
Management expenses	(40,862)	(32,441)	(75,263)	(64,463)
Other expenses	(73,860)	(65,179)	(136,810)	(125,894)
Operating profit	101,327	68,391	171,577	130,781
Finance costs	(4)	-	(375)	(74)
Share of profit after tax of equity accounted associated company	506	160	1,373	518
Profit before tax	101,829	68,551	172,575	131,225
Tax expense	(16,090)	(17,370)	(29,639)	(29,463)
Profit for the period	85,739	51,181	142,936	101,762
Profit attributable to:				
Owners of the Company	85,739	51,181	142,936	101,762
Earnings per ordinary share (sen)				
- Basic	25.82	15.47	43.05	30.75
- Diluted	N/A	N/A	N/A	N/A

N/A - *Not Applicable.*

Note : The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014.

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Quarter Ended 30 June 2015 - Unaudited

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2015 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2014 RM'000	Current Year To Date Ended 30.06.2015 RM'000	Preceding Year Corresponding Period Ended 30.06.2014 RM'000
Profit for the period	85,739	51,181	142,936	101,762
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	4,121	(617)	5,288	(312)
Fair value of available-for-sale financial assets				
- (Losses) / gains arising during the period	(8,469)	24,096	25,628	10,003
- Reclassification adjustments for gains included in profit or loss	(39,235)	-	(39,235)	(3,817)
	(47,704)	24,096	(13,607)	6,186
	(43,583)	23,479	(8,319)	5,874
Tax effect on net gain / (loss) on fair value of available-for-sale financial assets	38	(31)	39	967
Total other comprehensive (loss) / income for the period, net of tax	(43,545)	23,448	(8,280)	6,841
Total comprehensive income for the period attributable to owners of the Company	42,194	74,629	134,656	108,603

Note : The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014.

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Condensed Consolidated Statement Of Financial Position As At 30 June 2015 - Unaudited

	As At 30.06.2015	As At 31.12.2014
	RM'000	RM'000
Assets		
Plant and equipment	12,389	8,391
Investment properties	26,432	25,205
Investment in associated company	19,772	17,126
Other investments	1,358,102	1,390,054
Available-for-sale financial assets	1,065,039	1,087,099
Held-to-maturity financial assets	293,063	302,955
Reinsurance assets	757,761	654,556
Loans and receivables, excluding insurance receivables	396,797	315,017
Insurance receivables	189,406	115,902
Deferred acquisition costs	31,035	31,794
Cash and cash equivalents	835,174	819,161
Total assets	3,626,868	3,377,206
Equity		
Share capital	331,986	221,324
Reserves	1,333,680	1,431,546
Total equity	1,665,666	1,652,870
Liabilities		
Insurance contract liabilities	1,682,299	1,480,092
Deferred tax liabilities	599	517
Borrowings	-	35,000
Insurance payables	154,009	90,178
Other payables	108,639	105,316
Tax payables	15,656	13,233
Total liabilities	1,961,202	1,724,336
Total equity and liabilities	3,626,868	3,377,206

Note :The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014.

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Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30 June 2015 - Unaudited

	← Non-distributable →		Distributable			
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
6 Months Period Ended 30 June 2015						
Balance as at 1 January 2015	221,324	117,052	8,876	868,318	437,300	1,652,870
Foreign currency translation differences for foreign operation	-	-	5,288	-	-	5,288
Fair value of available-for-sale financial assets						
- Gains arising during the period	-	-	-	25,667	-	25,667
- Reclassification adjustments for gains included in profit or loss	-	-	-	(39,235)	-	(39,235)
Total other comprehensive income / (loss) for the period	-	-	5,288	(13,568)	-	(8,280)
Profit for the period	-	-	-	-	142,936	142,936
Total comprehensive income / (loss) for the period	-	-	5,288	(13,568)	142,936	134,656
Contribution from / (Distribution to) owners of the Company						
Issue of Ordinary Shares:						
- pursuant to Bonus Issue	110,662	(110,662)	-	-	-	-
Expenses for issuance of equity securities	-	(132)	-	-	-	(132)
Dividends to owners of the Company	-	-	-	-	(121,728)	(121,728)
Total transactions with owners of the Company	110,662	(110,794)	-	-	(121,728)	(121,860)
Balance as at 30 June 2015	<u>331,986</u>	<u>6,258</u>	<u>14,164</u>	<u>854,750</u>	<u>458,508</u>	<u>1,665,666</u>

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Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30 June 2015 - Unaudited (cont'd)

	← Non-distributable →			Distributable			
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
<u>6 Months Period Ended 30 June 2014</u>							
Balance as at 1 January 2014	221,324	(8,300)	117,052	5,489	967,537	303,441	1,606,543
Foreign currency translation differences for foreign operation	-	-	-	(312)	-	-	(312)
Fair value of available-for-sale financial assets							
- Gains arising during the period	-	-	-	-	10,016	-	10,016
- Reclassification adjustments for gains included in profit or loss	-	-	-	-	(2,863)	-	(2,863)
Total other comprehensive (loss) / income for the period	-	-	-	(312)	7,153	-	6,841
Profit for the period	-	-	-	-	-	101,762	101,762
Total comprehensive (loss) / income for the period	-	-	-	(312)	7,153	101,762	108,603
Distribution to owners of the Company							
- Dividends to owners of the Company	-	-	-	-	-	(114,561)	(114,561)
Total transaction with owners of the Company	-	-	-	-	-	(114,561)	(114,561)
Balance as at 30 June 2014	<u>221,324</u>	<u>(8,300)</u>	<u>117,052</u>	<u>5,177</u>	<u>974,690</u>	<u>290,642</u>	<u>1,600,585</u>

Note :The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014.

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Condensed Consolidated Statement of Cash Flow For The Period Ended 30 June 2015 - Unaudited

	Current Year To Date Ended 30.06.2015 RM'000	Preceding Year Corresponding Period Ended 30.06.2014 RM'000
Operating activities		
Profit before tax	172,575	131,225
Investment income	(40,545)	(35,655)
Realised gains recorded in profit or loss	(39,236)	(3,923)
Share of profit of equity accounted associated company	(1,373)	(518)
Purchase of available-for-sale financial assets	(53)	(57)
Proceeds from disposal of available-for-sale financial assets	48,157	6,588
Purchase of held-to-maturity financial assets	(29,705)	(33,929)
Maturity of held-to-maturity financial assets	40,000	21,379
Repayment of corporate loan	-	(500)
Non-cash items:		
Depreciation of plant and equipment	2,035	2,231
Unrealised foreign exchange gain	(694)	(41)
Changes in working capital:		
(Increase) / Decrease in loans and receivables	(78,180)	39,485
Increase in reinsurance assets	(100,051)	(94,197)
Increase in insurance receivables	(72,666)	(19,419)
Decrease in deferred acquisition costs	756	556
Increase in insurance contract liabilities	194,738	160,929
Increase in insurance payables	63,678	57,225
Increase / (Decrease) in other payables	2,308	(3,637)
Cash generated from operating activities	161,744	227,742
Dividend income received	19,101	17,888
Interest income received	20,791	17,240
Rental income on investment property received	413	414
Income tax paid	(27,216)	(23,311)
Net cash flows generated from operating activities	174,833	239,973

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Condensed Consolidated Statement of Cash Flow For The Period Ended 30 June 2015 - Unaudited (cont'd)

	Current Year To Date Ended 30.06.2015 RM'000	Preceding Year Corresponding Period Ended 30.06.2014 RM'000
Investing activities		
Proceeds from disposal of plant and equipment	1	216
Purchase of plant and equipment	(5,965)	(711)
Net cash flows used in investing activities	<u>(5,964)</u>	<u>(495)</u>
Financing activities		
Expenses for issuance of equity securities	(132)	-
Dividends paid to owners of the Company	(121,728)	(114,561)
Repayment of borrowing	(35,000)	(32,500)
Net cash flows used in financing activities	<u>(156,860)</u>	<u>(147,061)</u>
Net increase in cash and cash equivalents	12,009	92,417
Cash and cash equivalents at beginning of year	819,161	621,451
Effect of movement in exchange rates	4,004	55
Cash and cash equivalents at end of period	<u>835,174</u>	<u>713,923</u>

Note : The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014.

**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 did not 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 30 June 2015.

A4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 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 six (6) months ended 30 June 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 30 June 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	6 Months Ended					
	General insurance		Investment holding		Total	
	2015	2014	2015	2014	2015	2014
External revenue	577,143	551,646	19,313	17,643	596,456	569,289
Inter-segment revenue	-	-	90,000	130,000	90,000	130,000
Segment profit before tax	117,700	116,689	144,875	144,536	262,575	261,225
Segment assets	2,516,282	2,261,445	1,310,865	1,322,359	3,827,147	3,583,804
Segment liabilities	1,959,655	1,781,772	1,826	1,447	1,961,481	1,783,219

A7. OPERATING SEGMENT (CONT'D)

i) Reconciliation of reportable segment profit:

RM'000	← 6 Months Ended →	
	2015	2014
Total profit for reportable segments	262,575	261,225
Elimination of inter-segment profit	(90,000)	(130,000)
Consolidated profit before tax	<u>172,575</u>	<u>131,225</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 6 Months Ended →	
	2015	2014
Total assets for reportable segments	3,827,147	3,583,804
Elimination of inter-segment assets	(200,279)	(200,229)
Consolidated assets	<u>3,626,868</u>	<u>3,383,575</u>

iii) Reconciliation of reportable segment liabilities:

RM'000	← 6 Months Ended →	
	2015	2014
Total liabilities for reportable segments	1,961,481	1,783,219
Elimination of inter-segment liabilities	(279)	(229)
Consolidated liabilities	<u>1,961,202</u>	<u>1,782,990</u>

A7. OPERATING SEGMENTS (CONT'D)

b) Underwriting results of insurance fund

i) For the financial period ended 30 June:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Gross written premiums	263,052	230,578	156,202	136,823	70,008	66,484	186,336	172,126	675,598	606,011
Change in unearned premiums provision	(58,029)	(40,325)	(20,866)	(7,917)	(17,354)	(15,107)	(23,438)	(9,028)	(119,687)	(72,377)
Gross earned premiums	205,023	190,253	135,336	128,906	52,654	51,377	162,898	163,098	555,911	533,634
Gross written premiums ceded to reinsurers	(104,835)	(92,372)	(31,441)	(26,130)	(62,850)	(58,876)	(93,789)	(77,270)	(292,915)	(254,648)
Change in unearned premiums provision	25,502	12,239	7,723	953	16,909	14,575	7,768	2,390	57,902	30,157
Premiums ceded to Reinsurers	(79,333)	(80,133)	(23,718)	(25,177)	(45,941)	(44,301)	(86,021)	(74,880)	(235,013)	(224,491)
Net earned premiums	125,690	110,120	111,618	103,729	6,713	7,076	76,877	88,218	320,898	309,143
Net claims incurred	(21,748)	(17,558)	(89,525)	(76,913)	(1,492)	(3,024)	(35,235)	(43,197)	(148,000)	(140,692)
Commission income	23,275	18,763	4,510	4,332	3,346	4,301	21,731	19,244	52,862	46,640
Commission expense	(24,253)	(22,728)	(13,794)	(13,007)	(1,981)	(2,836)	(21,519)	(22,860)	(61,547)	(61,431)
Net commission	(978)	(3,965)	(9,284)	(8,675)	1,365	1,465	212	(3,616)	(8,685)	(14,791)
Total out-go	(22,726)	(21,523)	(98,809)	(85,588)	(127)	(1,559)	(35,023)	(46,813)	(156,685)	(155,483)
Underwriting surplus before management expenses	102,964	88,597	12,809	18,141	6,586	5,517	41,854	41,405	164,213	153,660
Management expenses									(71,794)	(61,430)
Underwriting surplus after management expenses									92,419	92,230
Net claims incurred ratio (%)	17.3	15.9	80.2	74.1	22.2	42.7	45.8	49.0	46.1	45.5

A7. OPERATING SEGMENTS (CONT'D)

b) Underwriting results of insurance fund (cont'd)

ii) For the 3 months period ended 30 June:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Gross written premiums	118,383	100,246	76,555	65,508	24,404	17,045	83,883	68,608	303,225	251,407
Change in unearned premiums provision	(5,611)	10,079	(6,734)	(189)	1,722	5,249	770	15,473	(9,853)	30,612
Gross earned premiums	112,772	110,325	69,821	65,319	26,126	22,294	84,653	84,081	293,372	282,019
Gross written premiums ceded to reinsurers	(41,619)	(31,723)	(15,325)	(12,258)	(20,934)	(13,374)	(43,631)	(28,671)	(121,509)	(86,026)
Change in unearned premiums provision	5,006	(7,831)	2,624	697	(414)	(5,743)	(2,037)	(9,872)	5,179	(22,749)
Premiums ceded to Reinsurers	(36,613)	(39,554)	(12,701)	(11,561)	(21,348)	(19,117)	(45,668)	(38,543)	(116,330)	(108,775)
Net earned premiums	76,159	70,771	57,120	53,758	4,778	3,177	38,985	45,538	177,042	173,244
Net claims incurred	(12,138)	(10,744)	(46,933)	(40,080)	(925)	(1,244)	(17,332)	(19,545)	(77,328)	(71,613)
Commission income	8,841	8,268	2,520	1,976	955	1,973	10,473	9,420	22,789	21,637
Commission expense	(12,946)	(12,698)	(7,428)	(6,547)	(1,008)	(1,288)	(11,616)	(12,205)	(32,998)	(32,738)
Net commission	(4,105)	(4,430)	(4,908)	(4,571)	(53)	685	(1,143)	(2,785)	(10,209)	(11,101)
Total out-go	(16,243)	(15,174)	(51,841)	(44,651)	(978)	(559)	(18,475)	(22,330)	(87,537)	(82,714)
Underwriting surplus before management expenses	59,916	55,597	5,279	9,107	3,800	2,618	20,510	23,208	89,505	90,530
Management expenses									(39,186)	(31,163)
Underwriting surplus after management expenses									50,319	59,367
Net claims incurred ratio (%)	15.9	15.2	82.2	74.6	19.4	39.2	44.5	42.9	43.7	41.3

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.

30.06.2015	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	5,807	-	-	5,807	-	-	-	-	5,807	5,807
- Quoted shares	1,058,997	-	-	1,058,997	-	-	-	-	1,058,997	1,058,997
Held-to-maturity financial assets										
- Malaysian Government Securities	-	-	-	-	-	39,930	-	39,930	39,930	39,595
- Malaysian Government Guaranteed Loans	-	-	-	-	-	25,172	-	25,172	25,172	25,106
- Singapore Government Securities	-	-	-	-	-	1,446	-	1,446	1,446	1,405
- Corporate debts securities	-	-	-	-	-	232,503	-	232,503	232,503	226,957
	<u>1,064,804</u>	<u>-</u>	<u>-</u>	<u>1,064,804</u>	<u>-</u>	<u>299,051</u>	<u>-</u>	<u>299,051</u>	<u>1,363,855</u>	<u>1,357,867</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 30 June 2015. (31.12.2014: 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. CAPITAL AND OTHER COMMITMENTS

RM'000	30.06.2015	31.12.2014
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	8,958	-

A13. 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 30.06.2015	Preceding Year Corresponding Period Ended 30.06.2014
Income earned:		
Premium income	23,064	22,375
Dividend income	18,943	17,763
Fixed deposits income	1,736	1,867
Corporate debt securities' interest income	1,745	1,745
	<u>45,488</u>	<u>43,750</u>
Expenditure incurred:		
Rental paid	(1,418)	(1,424)
Insurance commission	(21,149)	(19,495)
Stock broking commission paid for equity investment	(145)	-
Corporate advisory fees	(73)	-
	<u>(22,785)</u>	<u>(20,919)</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 second quarter of 2015. The Group's revenue rose 4.5% to RM304.7 million largely contributed by the general insurance segment which recorded a growth of 4.5% to RM304.1 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 RM11.4 million or 4.0% to RM293.4 million as compared to RM282.0 million recorded in the previous corresponding quarter in 2014. The revenue from the investment holding segment grew from RM0.4 million to RM0.6 million as compared to the previous corresponding quarter in 2014 due to higher interest income received during the quarter.

The Group recorded a higher profit before tax of RM101.8 million, increased by RM33.2 million or 48.4% as compared to RM68.6 million in the previous corresponding quarter in 2014. This was largely contributed by the investment holding segment due to a gain of RM39.2 million on the disposal of investment in equities. Despite the growth in both of the gross and net earned premiums, the general insurance segment recorded a lower profit before tax of RM63.6 million as compared to RM69.5 million in the previous corresponding quarter in 2014 due to higher claims incurred and management expenses.

For the financial period ended 30 June 2015, the Group's revenue gained 4.8% or RM27.2 million to RM596.5 million as compared to RM569.3 million in the previous corresponding period in 2014. The increase was largely contributed by the general insurance segment which registered an increase of 4.6% to RM577.2 million over the previous corresponding period in 2014. The revenue from the investment holding segment recorded a higher investment income of RM19.3 million, mainly due to higher dividend income received during the period under review.

The Group recorded a strong growth in profit before tax of RM172.6 million for the first six months of 2015, which showed an increase of RM41.4 million or 31.6% as compared to RM131.2 million in the previous corresponding period in 2014. The significant increase was largely contributed by the investment holding segment which recorded a higher profit before tax of RM54.9 million as compared to RM14.5 million in the previous corresponding period in 2014 mainly due to the realised gain on disposal of investment in quoted equities. General insurance segment registered an increased of RM1.0 million or 0.9% to RM117.7 million as compared to RM116.7 million in the previous corresponding period in 2014.

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 2015, the Group recorded a higher profit before tax of RM101.8 million as compared to RM70.7 million in the preceding quarter ended 31 March 2015. The increase in the profit before tax for the said quarter was mainly due to the realised gain on disposal of investment in quoted equities.

B3. CURRENT YEAR PROSPECT

- a) The recovery of the US and other developed economies has been disappointing so far as it has not generated as strong as expected a recovery in the export of manufactured goods from Asia. Data in China in the recent weeks showed that China's economy is beginning to stabilise. However, the concern is whether this stabilisation is sustainable. Greece and the Eurozone are urgently trying to contain a full blown financial crisis of mounting debt woes and capital outflows, potentially threatening Greece's exit from the Eurozone. Malaysia is not shielded from the impact of such external headwinds. As a major trading nation, we are exposed to the volatility of the world economy and its resultant effects may create a heavy drag on our economy.

Operating in such turbulent economic environment and with the anticipated slower growth in the general insurance industry, the Group will continue to exercise prudent underwriting and sound claims management in our quest to further expand our market share profitably and establishing Lonpac as a major insurance force in the region. With our trusted and sound risk management practices together with our robust business strategies, we are confident that the Group will continue to improve on its performance for the challenging second half year of 2015.

- 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 30.06.2015	Preceding Year Corresponding Quarter Ended 30.06.2014	Current Year To Date Ended 30.06.2015	Preceding Year Corresponding Period Ended 30.06.2014
Profit before tax	101,829	68,551	172,575	131,225
Income tax:				
Current tax charge	16,090	17,370	29,633	29,464
Under / (Over) provision in prior year	-	-	6	(1)
	16,090	17,370	29,639	29,463
Effective tax rate on current tax charge	16%	25%	17%	22%

The effective tax rate on the current tax charge of the Group for the current quarter and financial period ended 30 June 2015 is lower than the statutory tax rate mainly due to certain dividends received and the realised gains on disposal of investment in quoted equities are tax exempted.

B7. STATUS OF CORPORATE PROPOSALS

- a) There was no corporate proposal announced but not completed as at 1 July 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 has no outstanding borrowings and debt securities for the current interim period ended 30 June 2015.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 June 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 30 June 2015.

B11. CHANGES IN MATERIAL LITIGATION

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

B12. 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>20.00</u> |
- iii) The previous corresponding period:
- | | <u>Net per share</u>
<u>(sen)</u> |
|------------------------|--------------------------------------|
| • Single tier dividend | <u>20.00</u> |
- iv) The date payable: 3 August 2015;
- v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 24 July 2015; and
- b) The total dividend for the 6 months ended 30 June 2015: 20.00 sen single tier dividend per share.

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
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
Profit after tax (RM'000)	85,739	51,181	142,936	101,762
Weighted average no. of ordinary shares in issue ('000)	331,986	330,971	331,986	330,971
Basic earnings per share (sen)	25.82	15.47	43.05	30.75

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 30 June 2015.

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

B14. PROFIT FOR THE PERIOD

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2015 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2014 RM'000	Current Year To Date Ended 30.06.2015 RM'000	Preceding Year Corresponding Period Ended 30.06.2014 RM'000
Profit for the period is arrived at after charging:				
Finance costs	4	-	375	74
Depreciation of plant and equipment (N1)	990	1,115	2,035	2,231
Net foreign exchange Loss/ (gain) (N1)	246	(39)	362	10
Allowance for impairment loss on insurance	945	-	945	-
and after crediting:				
Interest income (N2)	10,765	8,994	21,031	17,353
Dividend income (N2)	385	301	19,101	17,888
Rental income (N2)	204	177	413	414
Gain on disposal of quoted and unquoted investments (N3)	39,235	-	39,235	3,832

Other than the items above which have been included in the Condensed Consolidated Statement of Profit or Loss, there were no gain or loss on derivatives and exceptional items for the current financial period ended 30 June 2015.

(N1) Depreciation of plant and equipment and net foreign exchange loss/ (gain) 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 30 June 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 30.06.2015 RM'000	As at 31.12.2014 RM'000
Total retained profits of the Group:		
- Realised	563,993	550,522
- Unrealised	16,430	15,905
	<u>580,423</u>	<u>566,427</u>
Total share of retained profits from associated company		
- Realised	7,081	5,709
	<u>587,504</u>	<u>572,136</u>
Less: Consolidation adjustments	(128,996)	(134,836)
Total retained profits as per statement of financial position	<u>458,508</u>	<u>437,300</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.