

LPI CAPITAL BHD
Condensed Consolidated Statement of Profit or Loss For The Quarter Ended 31 March 2016 - Unaudited

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2016 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2015 RM'000	Current Year To Date Ended 31.03.2016 RM'000	Preceding Year Corresponding Period Ended 31.03.2015 RM'000
Operating revenue	320,561	291,730	320,561	291,730
Gross written premiums	401,721	372,373	401,721	372,373
Change in unearned premiums provision	(111,701)	(109,834)	(111,701)	(109,834)
Gross earned premiums	290,020	262,539	290,020	262,539
Gross written premiums ceded to reinsurers	(189,425)	(171,406)	(189,425)	(171,406)
Change in unearned premiums provision	54,871	52,723	54,871	52,723
Premiums ceded to reinsurers	(134,554)	(118,683)	(134,554)	(118,683)
Net earned premiums	155,466	143,856	155,466	143,856
Investment income	30,541	29,191	30,541	29,191
Realised gains and losses	-	1	-	1
Commission income	34,080	30,073	34,080	30,073
Other operating income	2,329	751	2,329	751
Other income	66,950	60,016	66,950	60,016
Gross claims paid	(106,595)	(234,111)	(106,595)	(234,111)
Claims ceded to reinsurers	41,514	178,828	41,514	178,828
Gross change in contract liabilities	(39,215)	(42,241)	(39,215)	(42,241)
Change in contract liabilities ceded to reinsurers	37,246	26,852	37,246	26,852
Net claims incurred	(67,050)	(70,672)	(67,050)	(70,672)
Commission expense	(32,678)	(28,549)	(32,678)	(28,549)
Management expenses	(41,587)	(34,401)	(41,587)	(34,401)
Other expenses	(74,265)	(62,950)	(74,265)	(62,950)
Operating profit	81,101	70,250	81,101	70,250
Finance costs	-	(371)	-	(371)
Share of profit after tax of equity accounted associated company	1,080	867	1,080	867
Profit before tax	82,181	70,746	82,181	70,746
Tax expense	(16,795)	(13,549)	(16,795)	(13,549)
Profit for the period	65,386	57,197	65,386	57,197
Profit attributable to:				
Owners of the Company	65,386	57,197	65,386	57,197
Earnings per ordinary share (sen)				
- Basic	19.70	17.23	19.70	17.23
- 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 2015.

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Quarter Ended 31 March 2016 - Unaudited

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2016 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2015 RM'000	Current Year To Date Ended 31.03.2016 RM'000	Preceding Year Corresponding Period Ended 31.03.2015 RM'000
Profit for the period	65,386	57,197	65,386	57,197
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	(4,214)	1,167	(4,214)	1,167
Fair value of available-for-sale financial assets				
- Gains arising during the period	14,226	34,097	14,226	34,097
	10,012	35,264	10,012	35,264
Tax effect on net gain on fair value of available-for-sale financial assets	23	1	23	1
Total other comprehensive income for the period, net of tax	10,035	35,265	10,035	35,265
Total comprehensive income for the period attributable to owners of the Company	75,421	92,462	75,421	92,462

Note : The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015.

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Condensed Consolidated Statement Of Financial Position As At 31 March 2016 - Unaudited

	As At 31.03.2016	As At 31.12.2015
	RM'000	RM'000
Assets		
Plant and equipment	13,107	13,752
Investment properties	28,131	28,886
Investment in associated company	22,808	23,452
Other investments	1,301,042	1,301,394
Available-for-sale financial assets	1,021,620	1,007,594
Held-to-maturity financial assets	279,422	293,800
Reinsurance assets	823,648	733,311
Loans and receivables, excluding insurance receivables	559,908	403,707
Insurance receivables	249,536	135,053
Deferred acquisition costs	30,150	33,540
Cash and cash equivalents	714,564	952,253
Total assets	3,742,894	3,625,348
Equity		
Share capital	331,986	331,986
Reserves	1,316,043	1,406,615
Total equity	1,648,029	1,738,601
Liabilities		
Insurance contract liabilities	1,800,282	1,654,018
Deferred tax liabilities	740	780
Insurance payables	160,359	95,678
Other payables	112,036	116,077
Tax payables	21,448	20,194
Total liabilities	2,094,865	1,886,747
Total equity and liabilities	3,742,894	3,625,348

Note : The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015.

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Condensed Consolidated Statement Of Changes In Equity For The Period Ended 31 March 2016 - 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
3 Months Period Ended 31 March 2016						
Balance as at 1 January 2016	331,986	6,258	24,816	805,377	570,164	1,738,601
Foreign currency translation differences for foreign operation	-	-	(4,214)	-	-	(4,214)
Fair value of available-for-sale financial assets						
- Gains arising during the period	-	-	-	14,249	-	14,249
Total other comprehensive (loss) / income for the period	-	-	(4,214)	14,249	-	10,035
Profit for the period	-	-	-	-	65,386	65,386
Total comprehensive (loss) / income for the period	-	-	(4,214)	14,249	65,386	75,421
Distribution to owners of the Company						
- Dividends to owners of the Company	-	-	-	-	(165,993)	(165,993)
Total transaction with owners of the Company	-	-	-	-	(165,993)	(165,993)
Balance as at 31 March 2016	331,986	6,258	20,602	819,626	469,557	1,648,029

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Condensed Consolidated Statement Of Changes In Equity For The Period Ended 31 March 2016 - Unaudited (cont'd)

	← Non-distributable →			Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
3 Months Period Ended 31 March 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	-	-	1,167	-	-	1,167
Fair value of available-for-sale financial assets - Gains arising during the period	-	-	-	34,098	-	34,098
Total other comprehensive income for the period	-	-	1,167	34,098	-	35,265
Profit for the period	-	-	-	-	57,197	57,197
Total comprehensive income for the period	-	-	1,167	34,098	57,197	92,462
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	-	(94)	-	-	-	(94)
Dividends to owners of the Company	-	-	-	-	(121,728)	(121,728)
Total transactions with owners of the Company	110,662	(110,756)	-	-	(121,728)	(121,822)
Balance as at 31 March 2015	<u>331,986</u>	<u>6,296</u>	<u>10,043</u>	<u>902,416</u>	<u>372,769</u>	<u>1,623,510</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 2015.

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Condensed Consolidated Statement of Cash Flow For The Period Ended 31 March 2016 - Unaudited

	Current Year To Date Ended 31.03.2016 RM'000	Preceding Year Corresponding Period Ended 31.03.2015 RM'000
Operating activities		
Profit before tax	82,181	70,746
Investment income	(30,541)	(29,191)
Realised gains recorded in profit or loss	-	(1)
Share of profit of equity accounted associated company	(1,080)	(867)
Purchase of held-to-maturity financial assets	(8,016)	(19,705)
Maturity of held-to-maturity financial assets	22,235	25,000
Non-cash items:		
Depreciation of plant and equipment	908	1,045
Unrealised foreign exchange loss	171	103
Changes in working capital:		
Increase in loans and receivables	(158,177)	(93,013)
Increase in reinsurance assets	(92,117)	(79,576)
Increase in insurance receivables	(114,834)	(104,578)
Decrease in deferred acquisition costs	3,376	1,219
Increase in insurance contract liabilities	150,916	152,076
Increase in insurance payables	64,730	52,922
Decrease in other payables	(3,413)	(3,859)
Cash used in operating activities	(83,661)	(27,679)
Dividend income received	18,644	18,716
Interest income received	11,536	10,148
Rental income on investment property received	277	209
Income tax paid	(15,534)	(15,233)
Net cash flows used in operating activities	(68,738)	(13,839)

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Condensed Consolidated Statement of Cash Flow For The Period Ended 31 March 2016 - Unaudited (cont'd)

	Current Year To Date Ended 31.03.2016 RM'000	Preceding Year Corresponding Period Ended 31.03.2015 RM'000
Investing activities		
Proceeds from disposal of plant and equipment	-	1
Purchase of plant and equipment	(297)	(4,959)
Net cash flows used in investing activities	<u>(297)</u>	<u>(4,958)</u>
Financing activities		
Expenses for issuance of equity securities	-	(94)
Dividends paid to owners of the Company	(165,993)	(121,728)
Net cash flows used in financing activities	<u>(165,993)</u>	<u>(121,822)</u>
Net decrease in cash and cash equivalents	(235,028)	(140,619)
Cash and cash equivalents at beginning of year	952,253	819,161
Effect of movement in exchange rates	(2,661)	258
Cash and cash equivalents at end of period	<u>714,564</u>	<u>678,800</u>

Note : The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015.

**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 2015.

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 2015, except for the adoption of the following:

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRS 7, <i>Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)</i>	1 January 2016
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> , MFRS 12, <i>Disclosure of Interests in Other Entities</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101, <i>Presentation of Financial Statements – Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116, <i>Property, Plant and Equipment</i> and MFRS 138, <i>Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 119, <i>Employee Benefits (Annual Improvements 2012-2014 Cycle)</i>	1 January 2016
Amendments to MFRS 127, <i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRS 134, <i>Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)</i>	1 January 2016

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 31 March 2016.

A4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current interim period ended 31 March 2016.

A5. ISSUES, 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 31 March 2016.

A6. DIVIDEND PAID

In the current interim period ended 31 March 2016, the Company paid a second interim single tier dividend of 50.00 sen per ordinary share amounting to RM165,992,904 in respect of the financial year ended 31 December 2015 on 24 February 2016.

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	
	2016	2015	2016	2015	2016	2015
External revenue	302,601	273,033	17,960	18,697	320,561	291,730
Inter-segment revenue	-	-	100,000	90,000	100,000	90,000
Segment profit before tax	65,988	54,123	116,193	106,623	182,181	160,746
Segment assets	2,685,227	2,393,901	1,258,028	1,354,318	3,943,255	3,748,219
Segment liabilities	2,093,670	1,888,403	1,556	36,306	2,095,226	1,924,709

A7. OPERATING SEGMENT (CONT'D)

i) Reconciliation of reportable segment profit:

RM'000	← 3 Months Ended →	
	2016	2015
Total profit for reportable segments	182,181	160,746
Elimination of inter-segment profit	(100,000)	(90,000)
Consolidated profit before tax	<u>82,181</u>	<u>70,746</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 3 Months Ended →	
	2016	2015
Total assets for reportable segments	3,943,255	3,748,219
Elimination of inter-segment assets	(200,361)	(200,251)
Consolidated assets	<u>3,742,894</u>	<u>3,547,968</u>

iii) Reconciliation of reportable segment liabilities:

RM'000	← 3 Months Ended →	
	2016	2015
Total liabilities for reportable segments	2,095,226	1,924,709
Elimination of inter-segment liabilities	(361)	(251)
Consolidated liabilities	<u>2,094,865</u>	<u>1,924,458</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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross written premiums	160,257	144,669	78,456	79,647	48,252	45,604	114,756	102,453	401,721	372,373
Change in unearned premiums provision	(61,390)	(52,418)	(765)	(14,132)	(22,974)	(19,076)	(26,572)	(24,208)	(111,701)	(109,834)
Gross earned premiums	98,867	92,251	77,691	65,515	25,278	26,528	88,184	78,245	290,020	262,539
Gross written premiums ceded to reinsurers	(69,193)	(63,216)	(15,119)	(16,116)	(43,546)	(41,916)	(61,567)	(50,158)	(189,425)	(171,406)
Change in unearned premiums provision	24,390	20,496	(680)	5,099	20,473	17,323	10,688	9,805	54,871	52,723
Premiums ceded to reinsurers	(44,803)	(42,720)	(15,799)	(11,017)	(23,073)	(24,593)	(50,879)	(40,353)	(134,554)	(118,683)
Net earned premiums	54,064	49,531	61,892	54,498	2,205	1,935	37,305	37,892	155,466	143,856
Net claims incurred	(19,695)	(9,610)	(29,893)	(42,592)	(845)	(567)	(16,617)	(17,903)	(67,050)	(70,672)
Commission income	14,792	14,434	2,794	1,990	2,313	2,391	14,181	11,258	34,080	30,073
Commission expense	(13,765)	(11,307)	(7,458)	(6,366)	(1,067)	(973)	(10,388)	(9,903)	(32,678)	(28,549)
Net commission	1,027	3,127	(4,664)	(4,376)	1,246	1,418	3,793	1,355	1,402	1,524
Total out-go	(18,668)	(6,483)	(34,557)	(46,968)	401	851	(12,824)	(16,548)	(65,648)	(69,148)
Underwriting surplus before management expenses	35,396	43,048	27,335	7,530	2,606	2,786	24,481	21,344	89,818	74,708
Management expenses									(39,772)	(32,608)
Underwriting surplus after management expenses									50,046	42,100
Net claims incurred ratio (%)	36.4	19.4	48.3	78.2	38.3	29.3	44.5	47.2	43.1	49.1

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.

31.03.2016	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	5,728	-	-	5,728	-	-	-	-	5,728	5,728
- Quoted shares	1,015,657	-	-	1,015,657	-	-	-	-	1,015,657	1,015,657
Held-to-maturity financial assets										
- Malaysian Government Securities	-	-	-	-	-	39,846	-	39,846	39,846	39,525
- Malaysian Government Guaranteed Loans	-	-	-	-	-	30,359	-	30,359	30,359	30,091
- Singapore Government Securities	-	-	-	-	-	1,510	-	1,510	1,510	1,492
- Corporate debts securities	-	-	-	-	-	212,271	-	212,271	212,271	208,314
	<u>1,021,385</u>	<u>-</u>	<u>-</u>	<u>1,021,385</u>	<u>-</u>	<u>283,986</u>	<u>-</u>	<u>283,986</u>	<u>1,305,371</u>	<u>1,300,807</u>

A11. FINANCIAL INSTRUMENTS (CONT'D)

Fair value information (cont'd)

31.12.2015 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	5,925	-	-	5,925	-	-	-	-	5,925	5,925
- Quoted shares	1,001,434	-	-	1,001,434	-	-	-	-	1,001,434	1,001,434
Held-to-maturity financial assets										
- Malaysian Government Securities	-	-	-	-	-	39,915	-	39,915	39,915	39,549
- Malaysian Government Guaranteed Loans	-	-	-	-	-	30,088	-	30,088	30,088	30,096
- Singapore Government Securities	-	-	-	-	-	1,562	-	1,562	1,562	1,533
- Corporate debts securities	-	-	-	-	-	226,125	-	226,125	226,125	222,622
	<u>1,007,359</u>	<u>-</u>	<u>-</u>	<u>1,007,359</u>	<u>-</u>	<u>297,690</u>	<u>-</u>	<u>297,690</u>	<u>1,305,049</u>	<u>1,301,159</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.

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 2016. (31.03.2015: no transfer in either directions)

A12. CAPITAL AND OTHER COMMITMENTS

RM'000	31.03.2016	31.12.2015
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	7,251	7,489

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 31.03.2016	Preceding Year Corresponding Period Ended 31.03.2015
Income earned:		
Premium income	21,923	21,387
Dividend income	17,692	18,713
Fixed deposits income	1,229	1,000
Corporate debt securities' interest income	897	868
	<u>41,741</u>	<u>41,968</u>
Expenditure incurred:		
Rental paid	(720)	(698)
Insurance commission	(10,533)	(10,420)
	<u>(11,253)</u>	<u>(11,118)</u>
Other Transactions:		
Purchase of corporate debt securities	(5,000)	-

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

B1. REVIEW OF GROUP PERFORMANCE

The Group has achieved a strong performance in revenue and profit before tax for the first quarter of 2016. Revenue of the Group grew 9.9% to RM320.6 million from RM291.7 million reported in the previous corresponding quarter. The growth was largely contributed by the general insurance segment which recorded a growth of 10.8% to RM302.6 million over the corresponding quarter in 2015. 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 RM27.5 million or 10.5% to RM290.0 million as compared to RM262.5 million recorded in the previous corresponding quarter. The investment holding segment recorded a slightly lower revenue of RM18.0 million as compared to RM18.7 million in the corresponding quarter in 2015 due to lower dividend income received during the quarter.

The Group recorded a higher profit before tax of RM82.2 million as compared to RM70.7 million in the corresponding quarter in 2015. The increase was largely contributed by the general insurance segment which registered a growth of RM11.9 million or 22.0% to RM66.0 million compared to RM54.1 million in the previous corresponding quarter. The underwriting profit for the quarter rose by RM7.9 million or 18.8% from RM42.1 million to RM50.0 million, contributed by the growth in both of the gross and net earned premium and the lower net claims incurred ratio of 43.1% as compared to 49.1% in the corresponding quarter in 2015. The investment holding segment recorded a slightly lower profit before tax of RM16.2 million as compared to RM16.6 million in the previous corresponding quarter due to lower dividend income received.

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 2016, the Group recorded a lower profit before tax of RM82.2 million as compared to RM125.6 million in the preceding quarter ended 31 December 2015. 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 RM36.9 million on disposal of investment in equities that contributed to the higher profit for the fourth quarter of 2015.

B3. CURRENT YEAR PROSPECTS

- a) The slower growth in premium income for the Malaysian insurance industry is expected to continue in 2016. With the impending liberalisation, the industry players are competing to build their market shares, resulting in margin compression. The Group will continue to prioritise its shareholder return by ensuring that its profits will not be compromised while growing its business.

Bank Negara Malaysia has recently unveiled a road map for a phased liberalisation of motor and fire tariffs. This is a start of a gradual process towards pricing motor and fire insurances based on their risk exposures. Policyholders with good risk profiles are expected to enjoy lower premium rates than those with higher risk ratings. The first phase of the tariff liberalisation which is effective from 1st July this year, will allow insurers to introduce new products at market rates, while the second phase which will commence on 1st July 2017, will see the removal of tariff rates for motor comprehensive and motor third party fire and theft policies. There will also be gradual adjustments to fire tariff rates in the second phase of the liberalisation.

We expect to see fierce competition for motor business, particularly, with the removal of tariff rates in the second phase of liberalisation. However, as Lonpac's motor business contributes approximately 25% of its total portfolio currently, the impact on its profitability will not be as significant. In addition, Lonpac has been well prepared for liberalisation, having invested in technology to develop parameters-based premium rating models as well as to improve its process and delivery channels. Moving forward, we are confident that Lonpac is well geared for market liberalisation and will emerge stronger, despite the stiffer competition.

- 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 31.03.2016	Preceding Year Corresponding Quarter Ended 31.03.2015	Current Year To Date Ended 31.03.2016	Preceding Year Corresponding Period Ended 31.03.2015
Profit before tax	82,181	70,746	82,181	70,746
Income tax:				
Current tax charge	16,795	13,543	16,795	13,543
Over provision in prior year	-	6	-	6
	16,795	13,549	16,795	13,549
Effective tax rate on current tax charge	20%	19%	20%	19%

The effective tax rate on the current tax charge of the Group for the current quarter and financial period ended 31 March 2016 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 31 March 2016, 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 31 March 2016.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 March 2016. – 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 2016.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 31 March 2016, 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 31.03.2016	Preceding Year Corresponding Quarter Ended 31.03.2015	Current Year To Date Ended 31.03.2016	Preceding Year Corresponding Period Ended 31.03.2015
Profit after tax (RM'000)	65,386	57,197	65,386	57,197
Weighted average no. of ordinary shares in issue (‘000)	331,986	331,986	331,986	331,986
Basic earnings per share (sen)	19.70	17.23	19.70	17.23

c) **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
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Finance costs	-	371	-	371
Depreciation of plant and equipment (N1)	908	1,045	908	1,045
Net foreign exchange loss (N1)	158	116	158	116
Allowance for impairment loss on insurance receivables (N1)	1,884	-	1,884	-
and after crediting:				
Interest income (N2)	11,620	10,266	11,620	10,266
Dividend income (N2)	18,644	18,716	18,644	18,716
Rental income (N2)	277	209	277	209

Other than the items above which have been included in the Condensed Consolidated Statement of Profit or Loss, there were no impairment allowance on other receivables, gain or loss on disposal of quoted or unquoted investments or properties, impairments of assets, gain or loss on derivatives and exceptional items for the current financial period ended 31 March 2016.

(N1) Depreciation of plant and equipment, net foreign exchange loss and allowance for impairment loss on insurance receivables 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.

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 2016, 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 31.03.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits of the Group:		
- Realised	567,093	668,645
- Unrealised	16,492	16,627
	<u>583,585</u>	<u>685,272</u>
Total share of retained profits from associated company		
- Realised	9,130	8,050
	<u>592,715</u>	<u>693,322</u>
Less: Consolidation adjustments	(123,158)	(123,158)
Total retained profits as per statement of financial position	<u><u>469,557</u></u>	<u><u>570,164</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.