

LPI CAPITAL BHD
Condensed Consolidated Statement of Profit or Loss For The Quarter Ended 30 June 2016 - Unaudited

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2016 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2015 RM'000	Current Year To Date Ended 30.06.2016 RM'000	Preceding Year Corresponding Period Ended 30.06.2015 RM'000
Operating revenue	339,250	304,726	659,811	596,456
Gross written premiums	301,169	303,225	702,890	675,598
Change in unearned premiums provision	23,166	(9,853)	(88,535)	(119,687)
Gross earned premiums	324,335	293,372	614,355	555,911
Gross written premiums ceded to reinsurers	(116,481)	(121,509)	(305,906)	(292,915)
Change in unearned premiums provision	(5,498)	5,179	49,373	57,902
Premiums ceded to reinsurers	(121,979)	(116,330)	(256,533)	(235,013)
Net earned premiums	202,356	177,042	357,822	320,898
Investment income	14,915	11,354	45,456	40,545
Realised gains and losses	150,356	39,235	150,356	39,236
Fair value gains and losses	(806)	-	(806)	-
Commission income	25,340	22,789	59,420	52,862
Other operating income	1,808	2,095	4,137	2,846
Other income	191,613	75,473	258,563	135,489
Gross claims paid	(131,136)	(91,642)	(237,731)	(325,753)
Claims ceded to reinsurers	57,890	31,828	99,404	210,656
Gross change in contract liabilities	15,816	(32,809)	(23,399)	(75,050)
Change in contract liabilities ceded to reinsurers	(23,351)	15,295	13,895	42,147
Net claims incurred	(80,781)	(77,328)	(147,831)	(148,000)
Commission expense	(36,868)	(32,998)	(69,546)	(61,547)
Management expenses	(44,202)	(40,862)	(85,789)	(75,263)
Other expenses	(81,070)	(73,860)	(155,335)	(136,810)
Operating profit	232,118	101,327	313,219	171,577
Finance costs	-	(4)	-	(375)
Share of profit after tax of equity accounted associated company	356	506	1,436	1,373
Profit before tax	232,474	101,829	314,655	172,575
Tax expense	(19,855)	(16,090)	(36,650)	(29,639)
Profit for the period	212,619	85,739	278,005	142,936
Profit attributable to:				
Owners of the Company	212,619	85,739	278,005	142,936
Earnings per ordinary share (sen)				
- Basic	64.04	25.82	83.74	43.05
- 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 30 June 2016 - Unaudited

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2016 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2015 RM'000	Current Year To Date Ended 30.06.2016 RM'000	Preceding Year Corresponding Period Ended 30.06.2015 RM'000
Profit for the period	212,619	85,739	278,005	142,936
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	2,093	4,121	(2,121)	5,288
Fair value of available-for-sale financial assets				
- Gains / (losses) arising during the period	29,311	(8,469)	43,537	25,628
- Reclassification adjustments for gains included in profit or loss	(149,550)	(39,235)	(149,550)	(39,235)
	(120,239)	(47,704)	(106,013)	(13,607)
	(118,146)	(43,583)	(108,134)	(8,319)
Tax effect on net (loss) / gain on fair value of available-for-sale financial assets	(92)	38	(69)	39
Total other comprehensive loss for the period, net of tax	(118,238)	(43,545)	(108,203)	(8,280)
Total comprehensive income for the period attributable to owners of the Company	94,381	42,194	169,802	134,656

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 30 June 2016 - Unaudited

	As At 30.06.2016	As At 31.12.2015
	RM'000	RM'000
Assets		
Plant and equipment	12,280	13,752
Investment properties	28,698	28,886
Investment in associated company	23,301	23,452
Other investments	1,148,777	1,301,394
Available-for-sale financial assets	874,193	1,007,594
Held-to-maturity financial assets	274,584	293,800
Reinsurance assets	796,134	733,311
Loans and receivables, excluding insurance receivables	990,457	403,707
Insurance receivables	189,011	135,053
Deferred acquisition costs	29,639	33,540
Cash and cash equivalents	572,357	952,253
Total assets	3,790,654	3,625,348
Equity		
Share capital	331,986	331,986
Reserves	1,410,424	1,406,615
Total equity	1,742,410	1,738,601
Liabilities		
Insurance contract liabilities	1,764,789	1,654,018
Deferred tax liabilities	845	780
Insurance payables	125,401	95,678
Other payables	128,713	116,077
Tax payables	28,496	20,194
Total liabilities	2,048,244	1,886,747
Total equity and liabilities	3,790,654	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 30 June 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
<u>6 Months Period Ended 30 June 2016</u>						
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	-	-	(2,121)	-	-	(2,121)
Fair value of available-for-sale financial assets						
- Gains arising during the period	-	-	-	43,601	-	43,601
- Reclassification adjustments for gains included in profit or loss	-	-	-	(149,683)	-	(149,683)
Total other comprehensive (loss) / income for the period	-	-	(2,121)	(106,082)	-	(108,203)
Profit for the period	-	-	-	-	278,005	278,005
Total comprehensive (loss) / income for the period	-	-	(2,121)	(106,082)	278,005	169,802
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 30 June 2016	331,986	6,258	22,695	699,295	682,176	1,742,410

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Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30 June 2016 - Unaudited (cont'd)

	← Non-distributable →			Distributable		
	Share capital	Share premium	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>6 Months Period Ended 30 June 2015</u>						
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>

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 30 June 2016 - Unaudited

	Current Year To Date Ended 30.06.2016 RM'000	Preceding Year Corresponding Period Ended 30.06.2015 RM'000
Operating activities		
Profit before tax	314,655	172,575
Investment income	(45,456)	(40,545)
Realised gains recorded in profit or loss	(150,356)	(39,236)
Fair value losses recorded in profit or loss	806	-
Share of profit of equity accounted associated company	(1,436)	(1,373)
Purchase of available-for-sale financial assets	(8,171)	(53)
Proceeds from disposal of available-for-sale financial assets	185,059	48,157
Purchase of held-to-maturity financial assets	(13,076)	(29,705)
Maturity of held-to-maturity financial assets	32,280	40,000
Non-cash items:		
Depreciation of plant and equipment	1,784	2,035
Unrealised foreign exchange loss / (gain)	101	(694)
Changes in working capital:		
Increase in loans and receivables	(587,244)	(78,180)
Increase in reinsurance assets	(63,268)	(100,051)
Increase in insurance receivables	(54,046)	(72,666)
Decrease in deferred acquisition costs	3,898	756
Increase in insurance contract liabilities	111,934	194,738
Increase in insurance payables	29,735	63,678
Increase in other payables	12,793	2,308
Cash (used in) / generated from operating activities	(230,008)	161,744
Dividend income received	19,970	19,101
Interest income received	24,943	20,791
Rental income on investment property received	494	413
Income tax paid	(28,346)	(27,216)
Net cash flows (used in) / generated from operating activities	(212,947)	174,833

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Condensed Consolidated Statement of Cash Flow For The Period Ended 30 June 2016 - Unaudited (cont'd)

	Current Year To Date Ended 30.06.2016 RM'000	Preceding Year Corresponding Period Ended 30.06.2015 RM'000
Investing activities		
Proceeds from disposal of plant and equipment	-	1
Purchase of plant and equipment	(321)	(5,965)
Net cash flows used in investing activities	<u>(321)</u>	<u>(5,964)</u>
Financing activities		
Expenses for issuance of equity securities	-	(132)
Dividends paid to owners of the Company	(165,993)	(121,728)
Repayment of borrowing	-	(35,000)
Net cash flows used in financing activities	<u>(165,993)</u>	<u>(156,860)</u>
Net (decrease) / increase in cash and cash equivalents	(379,261)	12,009
Cash and cash equivalents at beginning of year	952,253	819,161
Effect of movement in exchange rates	(635)	4,004
Cash and cash equivalents at end of period	<u>572,357</u>	<u>835,174</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

During the interim period ended 30 June 2016, the Malaysia Motor Insurance Pool had a reduction in its insurance claim liabilities by RM11.8 million. These are included in net claims incurred in the Condensed Consolidated Statement of Profit or Loss.

There were no other 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 2016.

A4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 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 30 June 2016.

A6. DIVIDEND PAID

In the current interim period ended 30 June 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	← 6 Months Ended →					
	General insurance		Investment holding		Total	
	2016	2015	2016	2015	2016	2015
External revenue	639,885	577,143	19,926	19,313	659,811	596,456
Inter-segment revenue	-	-	100,000	90,000	100,000	90,000
Segment profit before tax	148,090	117,700	266,565	144,875	414,655	262,575
Segment assets	2,695,515	2,516,282	1,295,409	1,310,865	3,990,924	3,827,147
Segment liabilities	2,037,960	1,959,655	10,554	1,826	2,048,514	1,961,481

A7. OPERATING SEGMENT (CONT'D)

i) Reconciliation of reportable segment profit:

RM'000	← 6 Months Ended →	
	2016	2015
Total profit for reportable segments	414,655	262,575
Elimination of inter-segment profit	(100,000)	(90,000)
Consolidated profit before tax	<u>314,655</u>	<u>172,575</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 6 Months Ended →	
	2016	2015
Total assets for reportable segments	3,990,924	3,827,147
Elimination of inter-segment assets	(200,270)	(200,279)
Consolidated assets	<u>3,790,654</u>	<u>3,626,868</u>

iii) Reconciliation of reportable segment liabilities:

RM'000	← 6 Months Ended →	
	2016	2015
Total liabilities for reportable segments	2,048,514	1,961,481
Elimination of inter-segment liabilities	(270)	(279)
Consolidated liabilities	<u>2,048,244</u>	<u>1,961,202</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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross written premiums	285,041	263,052	149,741	156,202	67,010	70,008	201,098	186,336	702,890	675,598
Change in unearned premiums provision	(52,882)	(58,029)	3,795	(20,866)	(16,532)	(17,354)	(22,916)	(23,438)	(88,535)	(119,687)
Gross earned premiums	232,159	205,023	153,536	135,336	50,478	52,654	178,182	162,898	614,355	555,911
Gross written premiums ceded to reinsurers	(113,814)	(104,835)	(27,732)	(31,441)	(57,534)	(62,850)	(106,826)	(93,789)	(305,906)	(292,915)
Change in unearned premiums provision	26,343	25,502	(3,351)	7,723	15,457	16,909	10,924	7,768	49,373	57,902
Premiums ceded to Reinsurers	(87,471)	(79,333)	(31,083)	(23,718)	(42,077)	(45,941)	(95,902)	(86,021)	(256,533)	(235,013)
Net earned premiums	144,688	125,690	122,453	111,618	8,401	6,713	82,280	76,877	357,822	320,898
Net claims incurred	(34,272)	(21,748)	(78,686)	(89,525)	(2,207)	(1,492)	(32,666)	(35,235)	(147,831)	(148,000)
Commission income	24,640	23,275	5,682	4,510	3,301	3,346	25,797	21,731	59,420	52,862
Commission expense	(28,549)	(24,253)	(15,149)	(13,794)	(2,371)	(1,981)	(23,477)	(21,519)	(69,546)	(61,547)
Net commission	(3,909)	(978)	(9,467)	(9,284)	930	1,365	2,320	212	(10,126)	(8,685)
Total out-go	(38,181)	(22,726)	(88,153)	(98,809)	(1,277)	(127)	(30,346)	(35,023)	(157,957)	(156,685)
Underwriting surplus before management expenses	106,507	102,964	34,300	12,809	7,124	6,586	51,934	41,854	199,865	164,213
Management expenses									(82,149)	(71,794)
Underwriting surplus after management expenses									117,716	92,419
Net claims incurred ratio (%)	23.7	17.3	64.3	80.2	26.3	22.2	39.7	45.8	41.3	46.1

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross written premiums	124,784	118,383	71,285	76,555	18,758	24,404	86,342	83,883	301,169	303,225
Change in unearned premiums provision	8,508	(5,611)	4,560	(6,734)	6,442	1,722	3,656	770	23,166	(9,853)
Gross earned premiums	133,292	112,772	75,845	69,821	25,200	26,126	89,998	84,653	324,335	293,372
Gross written premiums ceded to reinsurers	(44,621)	(41,619)	(12,613)	(15,325)	(13,988)	(20,934)	(45,259)	(43,631)	(116,481)	(121,509)
Change in unearned premiums provision	1,953	5,006	(2,671)	2,624	(5,016)	(414)	236	(2,037)	(5,498)	5,179
Premiums ceded to Reinsurers	(42,668)	(36,613)	(15,284)	(12,701)	(19,004)	(21,348)	(45,023)	(45,668)	(121,979)	(116,330)
Net earned premiums	90,624	76,159	60,561	57,120	6,196	4,778	44,975	38,985	202,356	177,042
Net claims incurred	(14,577)	(12,138)	(48,793)	(46,933)	(1,362)	(925)	(16,049)	(17,332)	(80,781)	(77,328)
Commission income	9,848	8,841	2,888	2,520	988	955	11,616	10,473	25,340	22,789
Commission expense	(14,784)	(12,946)	(7,691)	(7,428)	(1,304)	(1,008)	(13,089)	(11,616)	(36,868)	(32,998)
Net commission	(4,936)	(4,105)	(4,803)	(4,908)	(316)	(53)	(1,473)	(1,143)	(11,528)	(10,209)
Total out-go	(19,513)	(16,243)	(53,596)	(51,841)	(1,678)	(978)	(17,522)	(18,475)	(92,309)	(87,537)
Underwriting surplus before management expenses	71,111	59,916	6,965	5,279	4,518	3,800	27,453	20,510	110,047	89,505
Management expenses									(42,377)	(39,186)
Underwriting surplus after management expenses									67,670	50,319
Net claims incurred ratio (%)	16.1	15.9	80.6	82.2	22.0	19.4	35.7	44.5	39.9	43.7

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.

30.06.2016 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	5,794	-	-	5,794	-	-	-	-	5,794	5,794
- Quoted shares	868,164	-	-	868,164	-	-	-	-	868,164	868,164
Held-to-maturity financial assets										
- Malaysian Government Securities	-	-	-	-	-	39,664	-	39,664	39,664	39,501
- Malaysian Government Guaranteed Loans	-	-	-	-	-	30,429	-	30,429	30,429	30,086
- Singapore Government Securities	-	-	-	-	-	1,529	-	1,529	1,529	1,521
- Corporate debts securities	-	-	-	-	-	207,406	-	207,406	207,406	203,476
	<u>873,958</u>	<u>-</u>	<u>-</u>	<u>873,958</u>	<u>-</u>	<u>279,028</u>	<u>-</u>	<u>279,028</u>	<u>1,152,986</u>	<u>1,148,542</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 30 June 2016. (30.06.2015: no transfer in either directions)

A12. CAPITAL AND OTHER COMMITMENTS

RM'000	30.06.2016	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 30.06.2016	Preceding Year Corresponding Period Ended 30.06.2015
Income earned:		
Premium income	24,240	23,064
Dividend income	17,928	18,943
Fixed deposits income	2,881	1,736
Corporate debt securities' interest income	1,831	1,745
	<u>46,880</u>	<u>45,488</u>
Expenditure incurred:		
Rental paid	(1,441)	(1,418)
Insurance commission	(21,370)	(21,149)
Stock broking commission paid for equity investment	(581)	(145)
Corporate advisory fees	-	(73)
	<u>(23,392)</u>	<u>(22,785)</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 achieved a strong performance in the second quarter of 2016. Revenue of the Group grew by 11.4% to RM339.3 million from RM304.7 million in the corresponding quarter in 2015. The growth was largely contributed by revenue from the general insurance segment, which increased by 10.9% to RM337.3 million from the second quarter of 2015. This in turn was attributed mainly to higher gross earned premium for the quarter which came in at RM324.3 million, a RM30.9 million or 10.5% growth from RM293.4 million in the quarter ended 30 June 2015. The investment holding segment also recorded higher revenue of RM2.0 million as compared with RM0.6 million in the corresponding quarter in 2015, due to higher interest income received during the quarter.

The Group's profit before tax surged to RM232.5 million, a RM130.7 million or 128.4% increase from RM101.8 million in the corresponding quarter in 2015. The investment holding segment was the main contributor, chalking up gains of RM150.4 million on its disposal of investment in equities. The general insurance segment registered a profit growth of RM18.5 million or 29.1% to RM82.1 million from RM63.6 million in the second quarter of 2015. Underwriting profit for the quarter rose by RM17.4 million or 34.6% from RM50.3 million in the quarter ended 30 June 2015 to RM67.7 million, on the back of the 7.1% improvement in its combined ratio to 66.5%, a result of better performance in all its underwriting components.

For the six months ended 30 June 2016, the Group's revenue gained 10.6% or RM63.3 million to RM659.8 million from RM596.5 million in the corresponding period in 2015. The increase was largely contributed by the general insurance segment, which registered an increase of 10.9% to RM639.9 million from the half year ended 30 June 2015. Revenue from the investment holding segment increased marginally to RM19.9 million from RM19.3 million in the corresponding period in 2015.

B1. REVIEW OF GROUP PERFORMANCE (CONT'D)

The Group recorded a remarkable growth in profit before tax of RM314.7 million for the period under review, having increased by RM142.1 million or 82.3% from RM172.6 million in the corresponding period in 2015. The increase came mostly from the investment holding segment, which recorded a higher profit before tax of RM166.6 million from RM54.9 million in the first six months of 2015, mainly due to higher realised gain on disposal of investment in quoted equities. The general insurance segment also performed well, growing its profit by RM30.4 million or 25.8% to RM148.1 million from RM117.7 million in the corresponding period in 2015. This was attributed to its better claims experience, as reflected in the lowering of its net claims incurred ratio from 46.1% to 41.3%.

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 2016, the Group recorded higher profit before tax of RM232.5 million as compared with RM82.2 million in the quarter ended 31 March 2016. The improved performance was due to both realised gain on disposal of investment in quoted equities as well as better underwriting experience.

B3. CURRENT YEAR PROSPECTS

a) Britain's vote to leave the European Union (Brexit) sent shockwaves throughout much of the world. While the impact to Malaysia is expected to be minimal, Brexit has given rise to heightened uncertainty and increased volatility in the financial markets, which may cause further drag in the already weakened global economy and ultimately affect the regional economies in Asia.

Despite the volatile economic conditions and the keen competition in the general insurance industry, Lonpac put in a commendable performance for the first six months of 2016. The Group will continue to strengthen its position in the markets we are operating in and maintain our prudent underwriting approach in expanding our business. Going forward, we are confident that LPI will continue to report favourable performance for the second half of 2016, despite the headwinds we may be facing.

B3. CURRENT YEAR PROSPECTS (CONT'D)

- 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 30.06.2016	Preceding Year Corresponding Quarter Ended 30.06.2015	Current Year To Date Ended 30.06.2016	Preceding Year Corresponding Period Ended 30.06.2015
Profit before tax	232,474	101,829	314,655	172,575
Income tax:				
Current tax charge	19,855	16,090	36,650	29,633
Over provision in prior year	-	-	-	6
	19,855	16,090	36,650	29,639
Effective tax rate on current tax charge	9%	16%	12%	17%

The effective tax rate on the current tax charge of the Group for the current quarter and financial period ended 30 June 2016 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 4 July 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 30 June 2016.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 June 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 30 June 2016.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 4 July 2016, 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>25.00</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 2016;

v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 26 July 2016; and

b) The total dividend for the 6 months ended 30 June 2016: 25.00 sen single tier dividend per share.

B13. EARNINGS PER SHARE

a) Basic earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2016	Preceding Year Corresponding Quarter Ended 30.06.2015	Current Year To Date Ended 30.06.2016	Preceding Year Corresponding Period Ended 30.06.2015
Profit after tax (RM'000)	212,619	85,739	278,005	142,936
Weighted average no. of ordinary shares in issue (‘000)	331,986	331,986	331,986	331,986
Basic earnings per share (sen)	64.04	25.82	83.74	43.05

b) Diluted earnings per share. – Not Applicable.

B14. PROFIT FOR THE PERIOD

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2016 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2015 RM'000	Current Year To Date Ended 30.06.2016 RM'000	Preceding Year Corresponding Period Ended 30.06.2015 RM'000
Profit for the period is arrived at after charging:				
Finance costs	-	4	-	375
Depreciation of plant and equipment (N1)	876	990	1,784	2,035
Allowance for impairment loss on insurance receivables (N1)	491	945	2,375	945
Impairment loss on quoted investment (N4)	806	-	806	-
and after crediting:				
Net foreign exchange gain / (loss) (N1)	141	(246)	(17)	(362)
Write back of impairment loss on other receivables (N1)	1	-	1	-
Interest income (N2)	13,372	10,765	24,992	21,031
Dividend income (N2)	1,326	385	19,970	19,101
Rental income (N2)	217	204	494	413
Gain on disposal of quoted and unquoted investments (N3)	150,356	39,235	150,356	39,235

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 2016.

(N1) Depreciation of plant and equipment, net foreign exchange gain / (loss), allowance for impairment loss on insurance receivables and write back of impairment loss on other receivables are reported under item management expenses in the Condensed Consolidated Statement of Profit or Loss.

B14. PROFIT FOR THE PERIOD (CONT'D)

(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.

(N4) Impairment loss on quoted investments are reported under item fair value 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 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 30.06.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits of the Group:		
- Realised	756,559	668,645
- Unrealised	16,578	16,627
	<hr/>	<hr/>
	773,137	685,272
Total share of retained profits from associated company		
- Realised	9,486	8,050
	<hr/>	<hr/>
	782,623	693,322
Less: Consolidation adjustments	(100,447)	(123,158)
Total retained profits as per statement of financial position	<hr/>	<hr/>
	682,176	570,164

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.