

**LPI CAPITAL BHD**
**Condensed Consolidated Statement of Profit or Loss For The Quarter Ended 31 March 2017 - Unaudited**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2017 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2016 RM'000	Current Year To Date Ended 31.03.2017 RM'000	Preceding Year Corresponding Period Ended 31.03.2016 RM'000
<b>Operating revenue</b>	347,640	320,561	347,640	320,561
Gross written premiums	415,655	401,721	415,655	401,721
Change in unearned premiums provision	(97,436)	(111,701)	(97,436)	(111,701)
Gross earned premiums	318,219	290,020	318,219	290,020
Gross written premiums ceded to reinsurers	(178,595)	(189,425)	(178,595)	(189,425)
Change in unearned premiums provision	39,505	54,871	39,505	54,871
Premiums ceded to reinsurers	(139,090)	(134,554)	(139,090)	(134,554)
<b>Net earned premiums</b>	179,129	155,466	179,129	155,466
Investment income	29,421	30,541	29,421	30,541
Realised gains and losses	339	-	339	-
Commission income	30,350	34,080	30,350	34,080
Other operating income	831	2,329	831	2,329
<b>Other income</b>	60,941	66,950	60,941	66,950
Gross claims paid	(101,194)	(106,595)	(101,194)	(106,595)
Claims ceded to reinsurers	29,290	41,514	29,290	41,514
Gross change in contract liabilities	(15,301)	(39,215)	(15,301)	(39,215)
Change in contract liabilities ceded to reinsurers	15,839	37,246	15,839	37,246
<b>Net claims incurred</b>	(71,366)	(67,050)	(71,366)	(67,050)
Commission expense	(35,448)	(32,678)	(35,448)	(32,678)
Management expenses	(45,480)	(41,587)	(45,480)	(41,587)
<b>Other expenses</b>	(80,928)	(74,265)	(80,928)	(74,265)
<b>Operating profit</b>	87,776	81,101	87,776	81,101
Share of profit after tax of equity accounted associated company	1,018	1,080	1,018	1,080
<b>Profit before tax</b>	88,794	82,181	88,794	82,181
Tax expense	(18,231)	(16,795)	(18,231)	(16,795)
<b>Profit for the period</b>	70,563	65,386	70,563	65,386
<b>Profit attributable to:</b>				
Owners of the Company	70,563	65,386	70,563	65,386
Earnings per ordinary share (sen)				
- Basic	21.25	19.70	21.25	19.70
- 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 2016.**

**LPI CAPITAL BHD****Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Quarter Ended 31 March 2017 - Unaudited**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2017 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2016 RM'000	Current Year To Date Ended 31.03.2017 RM'000	Preceding Year Corresponding Period Ended 31.03.2016 RM'000
<b>Profit for the period</b>	<u>70,563</u>	<u>65,386</u>	<u>70,563</u>	<u>65,386</u>
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences for foreign operation	1,809	(4,214)	1,809	(4,214)
Fair value of available-for-sale financial assets				
- Gains arising during the period	<u>8,840</u>	<u>14,226</u>	<u>8,840</u>	<u>14,226</u>
	<u>10,649</u>	<u>10,012</u>	<u>10,649</u>	<u>10,012</u>
Tax effect on net (loss) / gain on fair value of available-for-sale financial assets	<u>(97)</u>	<u>23</u>	<u>(97)</u>	<u>23</u>
<b>Total other comprehensive income for the period, net of tax</b>	<u>10,552</u>	<u>10,035</u>	<u>10,552</u>	<u>10,035</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<u>81,115</u>	<u>75,421</u>	<u>81,115</u>	<u>75,421</u>

**Note : The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.**

## LPI CAPITAL BHD

### Condensed Consolidated Statement Of Financial Position As At 31 March 2017 - Unaudited

	As At 31.03.2017	As At 31.12.2016
	RM'000	RM'000
<b>Assets</b>		
Plant and equipment	12,538	13,042
Investment properties	28,530	27,900
Investment in associated company	27,491	26,796
Other investments	1,127,668	1,132,982
Available-for-sale financial assets	898,774	889,779
Held-to-maturity financial assets	228,894	243,203
Reinsurance assets	741,652	685,035
Loans and receivables, excluding insurance receivables	1,274,395	1,256,662
Insurance receivables	249,103	150,728
Deferred acquisition costs	31,145	30,451
Cash and cash equivalents	275,353	332,517
<b>Total assets</b>	<b>3,767,875</b>	<b>3,656,113</b>
<b>Equity</b>		
Share capital	331,986	331,986
Reserves	1,403,853	1,505,330
<b>Total equity</b>	<b>1,735,839</b>	<b>1,837,316</b>
<b>Liabilities</b>		
Insurance contract liabilities	1,725,645	1,609,458
Deferred tax liabilities	1,057	944
Insurance payables	174,470	79,804
Other payables	108,104	105,374
Tax payables	22,760	23,217
<b>Total liabilities</b>	<b>2,032,036</b>	<b>1,818,797</b>
<b>Total equity and liabilities</b>	<b>3,767,875</b>	<b>3,656,113</b>

**Note : The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.**

## LPI CAPITAL BHD

### Condensed Consolidated Statement Of Changes In Equity For The Period Ended 31 March 2017 - Unaudited

	← 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	
<b><u>3 Months Period Ended 31 March 2017</u></b>						
Balance as at 1 January 2017	331,986	6,258	27,073	713,601	758,398	1,837,316
Foreign currency translation differences for foreign operation	-	-	1,809	-	-	1,809
Fair value of available-for-sale financial assets						
- Gains arising during the period	-	-	-	8,743	-	8,743
Total other comprehensive income for the period	-	-	1,809	8,743	-	10,552
Profit for the period	-	-	-	-	70,563	70,563
Total comprehensive income for the period	-	-	1,809	8,743	70,563	81,115
Distribution to owners of the Company						
- Dividends to owners of the Company	-	-	-	-	(182,592)	(182,592)
Total transaction with owners of the Company	-	-	-	-	(182,592)	(182,592)
Balance as at 31 March 2017	331,986	6,258	28,882	722,344	646,369	1,735,839

## LPI CAPITAL BHD

### Condensed Consolidated Statement Of Changes In Equity For The Period Ended 31 March 2017 - Unaudited (cont'd)

	← 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
<b><u>3 Months Period Ended 31 March 2016</u></b>						
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	<u>331,986</u>	<u>6,258</u>	<u>20,602</u>	<u>819,626</u>	<u>469,557</u>	<u>1,648,029</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 2016.

## LPI CAPITAL BHD

### Condensed Consolidated Statement of Cash Flow For The Period Ended 31 March 2017 - Unaudited

	Current Year To Date Ended 31.03.2017 RM'000	Preceding Year Corresponding Period Ended 31.03.2016 RM'000
<b>Operating activities</b>		
Profit before tax	88,794	82,181
Investment income	(29,421)	(30,541)
Realised gains recorded in profit or loss	(339)	-
Share of profit of equity accounted associated company	(1,018)	(1,080)
Purchase of held-to-maturity financial assets	(15,000)	(8,016)
Maturity of held-to-maturity financial assets	29,500	22,235
<b>Non-cash items:</b>		
Depreciation of plant and equipment	690	908
Unrealised foreign exchange loss	141	171
<b>Changes in working capital:</b>		
Increase in loans and receivables	(16,273)	(158,177)
Increase in reinsurance assets	(55,344)	(92,117)
Increase in insurance receivables	(98,141)	(114,834)
(Increase) / Decrease in deferred acquisition costs	(727)	3,376
Increase in insurance contract liabilities	112,737	150,916
Increase in insurance payables	94,606	64,730
Increase / (Decrease) in other payables	2,324	(3,413)
Cash generated from / (used in) operating activities	112,529	(83,661)
Dividend income received	14,385	18,644
Interest income received	14,793	11,536
Rental income on investment property received	247	277
Income tax paid	(18,688)	(15,534)
<b>Net cash flows generated from / (used in) operating activities</b>	<b>123,266</b>	<b>(68,738)</b>

## LPI CAPITAL BHD

### Condensed Consolidated Statement of Cash Flow For The Period Ended 31 March 2017 - Unaudited (cont'd)

	Current Year To Date Ended 31.03.2017 RM'000	Preceding Year Corresponding Period Ended 31.03.2016 RM'000
<b>Investing activities</b>		
Proceeds from disposal of plant and equipment	339	-
Purchase of plant and equipment	(168)	(297)
<b>Net cash flows generated from / (used in) investing activities</b>	<u>171</u>	<u>(297)</u>
<b>Financing activities</b>		
Dividends paid to owners of the Company	(182,592)	(165,993)
<b>Net cash flows used in financing activities</b>	<u>(182,592)</u>	<u>(165,993)</u>
Net decrease in cash and cash equivalents	(59,155)	(235,028)
Cash and cash equivalents at beginning of year	332,517	952,253
Effect of movement in exchange rates	1,991	(2,661)
<b>Cash and cash equivalents at end of year</b>	<u>275,353</u>	<u>714,564</u>

**Note : The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.**

**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 2016.

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 2016, except for the adoption of the following:

<b>MFRSs/ Amendments/Interpretations</b>	<b>Effective date</b>
Amendments to MFRS 107, <i>Statement of Cash Flows – Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112, <i>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 12, <i>Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)</i>	1 January 2017

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 1<sup>st</sup> Quarter and 3<sup>rd</sup> 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 2017.

A4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current interim period ended 31 March 2017.

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 2017.

A6. DIVIDEND PAID

In the current interim period ended 31 March 2017, the Company paid a second interim single tier dividend of 55.00 sen per ordinary share amounting to RM182,592,194 in respect of the financial year ended 31 December 2016 on 2 March 2017.

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.

A7. OPERATING SEGMENT (CONT'D)

**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	
	2017	2016	2017	2016	2017	2016
External revenue	331,633	302,601	16,007	17,960	347,640	320,561
Inter-segment revenue	-	-	110,000	100,000	110,000	100,000
Segment profit before tax	74,069	65,988	124,725	116,193	198,794	182,181
Segment assets	2,729,215	2,685,227	1,238,660	1,258,028	3,967,875	3,943,255
Segment liabilities	2,030,861	2,093,670	1,175	1,556	2,032,036	2,095,226

i) Reconciliation of reportable segment profit:

RM'000	← 3 Months Ended →	
	2017	2016
Total profit for reportable segments	198,794	182,181
Elimination of inter-segment profit	(110,000)	(100,000)
Consolidated profit before tax	<u>88,794</u>	<u>82,181</u>

A7. OPERATING SEGMENT (CONT'D)

a) Segment reporting (cont'd):

ii) Reconciliation of reportable segment assets:

RM'000	← 3 Months Ended →	
	2017	2016
Total assets for reportable segments	3,967,875	3,943,255
Elimination of inter-segment assets	(200,000)	(200,361)
Consolidated assets	<u>3,767,875</u>	<u>3,742,894</u>

iii) Reconciliation of reportable segment liabilities:

RM'000	← 3 Months Ended →	
	2017	2016
Total liabilities for reportable segments	2,032,036	2,095,226
Elimination of inter-segment liabilities	-	(361)
Consolidated liabilities	<u>2,032,036</u>	<u>2,094,865</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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Gross written premiums	176,547	160,257	76,839	78,456	34,276	48,252	127,993	114,756	415,655	401,721
Change in unearned premiums provision	(46,943)	(61,390)	(2,988)	(765)	(13,926)	(22,974)	(33,579)	(26,572)	(97,436)	(111,701)
Gross earned premiums	129,604	98,867	73,851	77,691	20,350	25,278	94,414	88,184	318,219	290,020
Gross written premiums ceded to reinsurers	(74,331)	(69,193)	(7,015)	(15,119)	(29,577)	(43,546)	(67,672)	(61,567)	(178,595)	(189,425)
Change in unearned premiums provision	20,287	24,390	(5,023)	(680)	12,137	20,473	12,104	10,688	39,505	54,871
Premiums ceded to Reinsurers	(54,044)	(44,803)	(12,038)	(15,799)	(17,440)	(23,073)	(55,568)	(50,879)	(139,090)	(134,554)
Net earned premiums	75,560	54,064	61,813	61,892	2,910	2,205	38,846	37,305	179,129	155,466
Net claims incurred	(14,462)	(19,695)	(38,597)	(29,893)	(765)	(845)	(17,542)	(16,617)	(71,366)	(67,050)
Commission income	10,663	14,792	2,377	2,794	2,159	2,313	15,151	14,181	30,350	34,080
Commission expense	(15,125)	(13,765)	(7,258)	(7,458)	(1,229)	(1,067)	(11,836)	(10,388)	(35,448)	(32,678)
Net commission	(4,462)	1,027	(4,881)	(4,664)	930	1,246	3,315	3,793	(5,098)	1,402
Total out-go	(18,924)	(18,668)	(43,478)	(34,557)	165	401	(14,227)	(12,824)	(76,464)	(65,648)
Underwriting surplus before management expenses	56,636	35,396	18,335	27,335	3,075	2,606	24,619	24,481	102,665	89,818
Management expenses									(44,194)	(39,772)
Underwriting surplus after management expenses									58,471	50,046
Net claims incurred ratio (%)	19.1	36.4	62.4	48.3	26.3	38.3	45.2	44.5	39.8	43.1

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

On 22nd February 2017, Lonpac Insurance Bhd (Lonpac), a wholly-owned subsidiary of LPI Capital Bhd (LPI), received a Notice of Proposed Decision by the Malaysia Competition Commission (MyCC) under Section 36 of the Competition Act 2010.

MyCC informed that pursuant to its investigation, the commission on the preliminary basis finds that Lonpac together with the other 21 members of Persatuan Insurans Am Malaysia (PIAM) have infringed the prohibition under Section 4(2)(a) of the Competition Act for fixing parts trade discounts and labour rates for repair workshops and are therefore liable for an infringement under Section 4(3) of the Act.

MyCC has also proposed to impose a financial penalty of RM8,301,445 on Lonpac for the alleged infringement. The proposed decision is not final and Lonpac will submit its representation to MyCC to defend its position.

Saved as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date.

## A11. FINANCIAL INSTRUMENTS

### Fair value information

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.

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.

31.03.2017 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		
<b>Financial assets</b>										
Available-for-sale financial assets										
- Unit trust	5,789	-	-	5,789	-	-	-	-	5,789	5,789
- Real estate investment trusts (REITs)	962	-	-	962	-	-	-	-	962	962
- Quoted shares	891,788	-	-	891,788	-	-	-	-	891,788	891,788
Held-to-maturity financial assets										
- Malaysian government guaranteed loans	-	-	-	-	-	40,368	-	40,368	40,368	40,071
- Corporate bonds and sukuk	-	-	-	-	-	193,112	-	193,112	193,112	188,823
	898,539	-	-	898,539	-	233,480	-	233,480	1,132,019	1,127,433

A11. FINANCIAL INSTRUMENTS (CONT'D)

Fair value information (cont'd)

31.12.2016 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		
<b>Financial assets</b>										
Available-for-sale financial assets										
- Unit trust	5,859	-	-	5,859	-	-	-	-	5,859	5,859
- Real estate investment trusts (REITs)	928	-	-	928	-	-	-	-	928	928
- Quoted shares	882,757	-	-	882,757	-	-	-	-	882,757	882,757
Held-to-maturity financial assets										
- Malaysian government securities	-	-	-	-	-	19,515	-	19,515	19,515	19,494
- Malaysian government guaranteed loans	-	-	-	-	-	30,206	-	30,206	30,206	30,076
- Corporate bonds and sukuk	-	-	-	-	-	196,131	-	196,131	196,131	193,633
	<u>889,544</u>	<u>-</u>	<u>-</u>	<u>889,544</u>	<u>-</u>	<u>245,852</u>	<u>-</u>	<u>245,852</u>	<u>1,135,396</u>	<u>1,132,747</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 2017. (31.03.2016: no transfer in either directions).

## A12. CAPITAL AND OTHER COMMITMENTS

RM'000	31.03.2017	31.12.2016
<b>Capital expenditure commitments</b>		
<b>Plant and equipment</b>		
Contracted but not provided for	7,251	7,251



### 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 31.03.2017	Preceding Year Corresponding Period Ended 31.03.2016
<b>Income earned:</b>		
Premium income	23,563	21,923
Dividend income	14,264	17,692
Fixed deposits income	1,906	1,229
Corporate Bonds and Sukuk income	857	897
	<u>40,590</u>	<u>41,741</u>
<b>Expenditure incurred:</b>		
Rental paid	(731)	(720)
Insurance commission	(11,467)	(10,533)
	<u>(12,198)</u>	<u>(11,253)</u>
<b>Other Transaction:</b>		
Purchase of Corporate Bonds and Sukuk	-	(5,000)

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

### **B1. REVIEW OF GROUP PERFORMANCE**

The Group reported a commendable performance in the first quarter of 2017. Revenue of the Group grew by 8.4% to RM347.6 million from RM320.6 million in the corresponding quarter in 2016. The growth was largely contributed by revenue from the general insurance segment, which increased by 9.6% to RM331.6 million from the first quarter of 2016. This in turn was attributed mainly to higher gross earned premium for the quarter which came in at RM318.2 million, a RM28.2 million or 9.7% growth from RM290.0 million in the quarter ended 31 March 2016. The investment holding segment recorded lower revenue of RM16.0 million as compared with RM18.0 million in the corresponding quarter in 2016, due to lower dividend income received during the quarter.

Profit before tax of the Group grew by 8.0% to RM88.8 million from RM82.2 million in the corresponding quarter in 2016. The growth was largely contributed by profit from the general insurance segment, which increased by 12.3% to RM74.1 million from RM66.0 million in the first quarter of 2016. Underwriting profit for the quarter rose by 17.0% to RM58.5 million from RM50.0 million previously, primarily driven by 15.2% growth in earned premium income. The investment holding segment recorded lower profit of RM14.7 million as compared with RM16.2 million in the corresponding quarter in 2016 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 2017, the Group recorded a lower profit before tax of RM88.8 million as compared to RM106.9 million in the preceding quarter ended 31 December 2016. The decrease in profit before tax for the said quarter was mainly due to lower net earned premium.

### B3. CURRENT YEAR PROSPECTS

- a) Despite global volatility, the Malaysian economy remains resilient with the ability to manage potential downside risks to growth and the Malaysian economy is projected to expand by 4.3% to 4.8% in 2017, anchored by private domestic demand, with support from the external sector. While risks to growth emanating from global and domestic fronts remain, Malaysia's good fundamentals, they being, its diversified economic, trade and foreign direct investment structures, stable labour market conditions, current account surplus and ample international reserves, strong financial buffers with well-capitalised banking system and developed capital markets and policy flexibility are expected to stand us in good stead in confronting these risks.

Industry wise, Phase 2 of the Framework on Phased Liberalisation of Motor and Fire Tariffs which will commence on 1<sup>st</sup> July 2017 provides for detariffication of the motor business. The freer market environment is expected to drive competition to a new height as insurers use the opportunity to build bigger market share. Insurers' margins may be compressed in the short term as competition intensifies but the market is expected to remain relatively stable as Bank Negara Malaysia has put in place the necessary pricing and governance guidelines to ensure market discipline. Under such conditions, Lonpac is cautiously optimistic that it will be able to sustain its profit and growth trends for the remainder of 2017.

- b) Commentary on the Company's progress to achieve the financial 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 financial estimate, forecast, projection or internal targets. – Not Applicable.

### B4. STATEMENT ON FINANCIAL 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 financial 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 A FINANCIAL ESTIMATE, FORECAST OR PROJECTION OR PROFIT GUARANTEE PREVIOUSLY ANNOUNCED OR DISCLOSED IN A PUBLIC DOCUMENT**

- a) Any variance of actual profit after tax and minority interest and the profit after tax and minority interest stated in the financial estimate, forecast or projection (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 31.03.2017	Preceding Year Corresponding Quarter Ended 31.03.2016	Current Year To Date Ended 31.03.2017	Preceding Year Corresponding Period Ended 31.03.2016
Profit before tax	88,794	82,181	88,794	82,181
Income tax:				
Current tax charge	18,231	16,795	18,231	16,795
	18,231	16,795	18,231	16,795
Effective tax rate on current tax charge	21%	20%	21%	20%

The effective tax rate on the current tax charge of the Group for the current quarter and financial period ended 31 March 2017 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 3 April 2017, 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, including an initial public offering. – 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 2017.

## B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 March 2017. – 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 2017.

## B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 3 April 2017, 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 31.03.2017	Preceding Year Corresponding Quarter Ended 31.03.2016	Current Year To Date Ended 31.03.2017	Preceding Year Corresponding Period Ended 31.03.2016
Profit after tax (RM'000)	70,563	65,386	70,563	65,386
Weighted average no. of ordinary shares in issue ('000)	331,986	331,986	331,986	331,986
Basic earnings per share (sen)	21.25	19.70	21.25	19.70

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

## B14. PROFIT FOR THE PERIOD

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2017 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2016 RM'000	Current Year To Date Ended 31.03.2017 RM'000	Preceding Year Corresponding Period Ended 31.03.2016 RM'000
<b>Profit for the period is arrived at after charging:</b>				
Depreciation of plant and equipment (N1)	690	908	690	908
Net foreign exchange loss (N1)	197	158	197	158
Allowance for impairment loss on insurance receivables (N1)	28	1,884	28	1,884
<b>and after crediting:</b>				
Interest income (N2)	14,789	11,620	14,789	11,620
Dividend income (N2)	14,385	18,644	14,385	18,644
Rental income (N2)	247	277	247	277

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 2017.

(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 2017, 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 31.03.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of the Group:		
- Realised	720,142	833,020
- Unrealised	15,183	15,352
	<u>735,325</u>	<u>848,372</u>
Total share of retained profits from associated company		
- Realised	11,491	10,473
	<u>746,816</u>	<u>858,845</u>
Less: Consolidation adjustments	(100,447)	(100,447)
Total retained profits as per statement of financial position	<u><u>646,369</u></u>	<u><u>758,398</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.