

PRESS RELEASE BY LPI CAPITAL BHD

A SATISFACTORY PERFORMANCE FOR 1ST HALF OF 2017

LPI Capital Bhd (“LPI”) ended the first half year of 2017 with a satisfactory performance, after adjusting for the high extraordinary gains on realisation of equity investments enjoyed by the company in the first half of 2016.

Commenting on the Group’s performance for the first half year of 2017, Tan Sri Dato’ Sri Dr. Teh Hong Piow, Founder and Chairman of the Group said, “Revenue of the Group for the first half year of 2017 grew by 6.2% from RM659.8 million to RM700.4 million. However, profit before tax during the period reduced by 43.4% to RM178.0 million from RM314.7 million in the corresponding period of 2016, mainly due to the reduction in extraordinary gains from realisation of its equity investments. During the first half of 2016, such gains stood at RM150.4 million and was down to RM2.5 million in the first half of 2017. If the results had been adjusted to exclude extraordinary gains from realisation of its equity investments, profits before tax would have grown by 6.8%.

Lonpac Insurance Bhd (“Lonpac”), the wholly-owned insurance subsidiary of LPI, put in a credible performance for the first half year of 2017, despite the contraction in premium of the Malaysian general insurance industry for the first quarter of 2017. It managed to grow its gross premium by 2.8% to RM722.9 million and its net earned premium by 9.4% to RM391.6 million. The comparative figures for the first 6 months of 2016 were RM702.9 million and RM357.8 million respectively. Its profit before tax rose by 8.9% to RM159.8 million from RM146.7 million reported in the previous corresponding period. This was on the back of a strong underwriting performance, with underwriting profit expanding by 9.6% to RM129.0 million from RM117.7 million previously, attributable to the improvement in its claims incurred ratio from 41.3% to 39.8%. However, this was partially offsetted by a 1.5 percentage points hike in its commission ratio, while its management expense ratio remained unchanged at 23.0% and its combined ratio at 67.1%.”

Tan Sri Teh continued: “For the 2nd Quarter ended 30 June 2017, LPI reported a lower profit before tax of RM89.2 million, while net profit attributable to shareholders was at RM68.1 million, down from RM212.6 million in the 2nd Quarter ended 30 June 2016. This was due to a much lower realisation of extraordinary gains from equity investments. Revenue for the quarter under review grew by 3.9% to RM352.7 million from RM339.3 million in the previous corresponding quarter. Lonpac, on the other hand, reported better results for the 2nd quarter of 2017, with profit before tax having increased by 6.1% to RM86.7 million from RM81.7 million in the previous corresponding quarter. Its underwriting profit improved by

4.3% to RM70.6 million from RM67.7 million while its claims incurred and combined ratios were maintained at a low 39.7% and 66.8% respectively. Its gross premium for the quarter expanded by 2.0% from RM301.2 million to RM307.2 million and its net earned premium by 5.0% to RM212.5 million from RM202.4 million in the 2nd quarter of 2016.”

Highlights of the Group's Performance:-

	2 nd Quarter Ended		Half Year Ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
Revenue (RM'000)	352,710	339,250	700,350	659,811
Gross Premium Income (RM'000)	307,218	301,169	722,873	702,890
Net Earned Premium Income (RM'000)	212,478	202,356	391,607	357,822
Underwriting Profit (RM'000)	70,593	67,670	129,064	117,716
Profit Before Tax (RM'000)	89,216	232,474	178,010	314,655
Net Profit Attributable to Shareholders (RM'000)	68,064	212,619	138,627	278,005
Net Return on Equity (%)	3.7	12.2	7.6	16.0
Earnings Per Share (sen)	20.51	64.04	41.76	83.74
Claims Incurred Ratio (%)	39.7	39.9	39.8	41.3
Management Expense Ratio (%)	21.6	20.9	23.0	23.0
Commission Ratio (%)	5.5	5.7	4.3	2.8
Combined Ratio (%)	66.8	66.5	67.1	67.1

Tan Sri Teh announced, “In view of the satisfactory performance of the Group, the Board has declared a first interim dividend of 27.0 sen per share. This dividend payment which amounts to RM89.6 million is part of the Group’s effort to reward its shareholders for their continued support for the Group.”

Tan Sri Teh further commented, “The Malaysian general insurance industry registered a reduction of 2.7% in gross written premium for the first quarter of 2017. With the implementation of Phase 2 of the Liberalisation Framework effective 1st July 2017, whereby motor insurance for comprehensive cover and third party fire and theft will be detariffed, we expect Lonpac to face stiffer competition in the second half of the year as insurers operating in the new liberalised environment scramble to build their respective market share.

Malaysia has had a good year-to-date performance with growth that had surpassed expectations, a currency that outperformed its peers when benchmarked against the US Dollar and renewed confidence of foreign investors in the Malaysian equity market. The economy appears on track to register higher growth in 2017. Domestic demand is projected to continue to expand. Exports are expected to benefit from the improvement in global growth. While inflation increased in the first quarter, it is expected to moderate from the second quarter onwards.

It is hoped that the Malaysian general insurance industry will respond positively too, with a stronger performance. We are optimistic that the Group will report a favourable performance for the second half year of 2017 on the back of a strong recovery in the Malaysian economy, despite the increased competition we are facing as the market liberalises.”

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