

LPI CAPITAL BHD
Condensed Consolidated Statement of Profit or Loss For The Quarter Ended 30 September 2015 - Unaudited

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2015 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2014 RM'000	Current Year To Date Ended 30.09.2015 RM'000	Preceding Year Corresponding Period Ended 30.09.2014 RM'000
Operating revenue	349,507	301,236	945,963	870,525
Gross written premiums	309,978	287,726	985,576	893,737
Change in unearned premiums provision	13,854	(10,846)	(105,833)	(83,223)
Gross earned premiums	323,832	276,880	879,743	810,514
Gross written premiums ceded to reinsurers	(130,258)	(116,543)	(423,173)	(371,191)
Change in unearned premiums provision	(6,417)	7,465	51,485	37,622
Premiums ceded to reinsurers	(136,675)	(109,078)	(371,688)	(333,569)
Net earned premiums	187,157	167,802	508,055	476,945
Investment income	25,675	24,356	66,220	60,011
Realised gains and losses	-	-	39,236	3,923
Commission income	24,137	19,676	76,999	66,316
Other operating income	2,090	1,319	4,936	3,325
Other income	51,902	45,351	187,391	133,575
Gross claims paid	(144,780)	(133,097)	(470,533)	(300,411)
Claims ceded to reinsurers	80,419	70,226	291,075	121,360
Gross change in contract liabilities	20,632	64,918	(54,418)	(23,634)
Change in contract liabilities ceded to reinsurers	(28,164)	(74,792)	13,983	(10,752)
Net claims incurred	(71,893)	(72,745)	(219,893)	(213,437)
Commission expense	(36,383)	(31,365)	(97,930)	(92,796)
Management expenses	(36,629)	(31,396)	(111,892)	(95,859)
Other expenses	(73,012)	(62,761)	(209,822)	(188,655)
Operating profit	94,154	77,647	265,731	208,428
Finance costs	-	(578)	(375)	(652)
Share of profit after tax of equity accounted associated company	721	356	2,094	874
Profit before tax	94,875	77,425	267,450	208,650
Tax expense	(19,033)	(13,230)	(48,672)	(42,693)
Profit for the period	75,842	64,195	218,778	165,957
Profit attributable to:				
Owners of the Company	75,842	64,195	218,778	165,957
Earnings per ordinary share (sen)				
- Basic	22.85	19.39	65.90	50.14
- Diluted	N/A	N/A	N/A	N/A

N/A - *Not Applicable.*

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

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2015 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2014 RM'000	Current Year To Date Ended 30.09.2015 RM'000	Preceding Year Corresponding Period Ended 30.09.2014 RM'000
Profit for the period	75,842	64,195	218,778	165,957
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	9,550	(744)	14,838	(1,056)
Fair value of available-for-sale financial assets				
- (Losses) / gains arising during the period	(68,046)	(9,532)	(42,418)	471
- Reclassification adjustments for gains included in profit or loss	-	-	(39,235)	(3,817)
	(68,046)	(9,532)	(81,653)	(3,346)
	(58,496)	(10,276)	(66,815)	(4,402)
Tax effect on net (loss) / gain on fair value of available-for-sale financial assets	(187)	(5)	(148)	962
Total other comprehensive loss for the period, net of tax	(58,683)	(10,281)	(66,963)	(3,440)
Total comprehensive income for the period attributable to owners of the Company	17,159	53,914	151,815	162,517

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

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

	As At 30.09.2015	As At 31.12.2014
	RM'000	RM'000
Assets		
Plant and equipment	13,499	8,391
Investment properties	28,509	25,205
Investment in associated company	23,383	17,126
Other investments	1,293,736	1,390,054
Available-for-sale financial assets	997,478	1,087,099
Held-to-maturity financial assets	296,258	302,955
Reinsurance assets	728,517	654,556
Loans and receivables, excluding insurance receivables	426,735	315,017
Insurance receivables	213,060	115,902
Deferred acquisition costs	30,863	31,794
Cash and cash equivalents	825,636	819,161
Total assets	3,583,938	3,377,206
Equity		
Share capital	331,986	221,324
Reserves	1,284,442	1,431,546
Total equity	1,616,428	1,652,870
Liabilities		
Insurance contract liabilities	1,660,452	1,480,092
Deferred tax liabilities	740	517
Borrowings	-	35,000
Insurance payables	163,064	90,178
Other payables	125,378	105,316
Tax payables	17,876	13,233
Total liabilities	1,967,510	1,724,336
Total equity and liabilities	3,583,938	3,377,206

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

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

	←	Non-distributable		→	Distributable	
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
9 Months Period Ended 30 September 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	-	-	14,838	-	-	14,838
Fair value of available-for-sale financial assets						
- Losses arising during the period	-	-	-	(42,566)	-	(42,566)
- Reclassification adjustments for gains included in profit or loss	-	-	-	(39,235)	-	(39,235)
Total other comprehensive income / (loss) for the period	-	-	14,838	(81,801)	-	(66,963)
Profit for the period	-	-	-	-	218,778	218,778
Total comprehensive income / (loss) for the period	-	-	14,838	(81,801)	218,778	151,815
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	-	-	-	-	(188,125)	(188,125)
Total transactions with owners of the Company	110,662	(110,794)	-	-	(188,125)	(188,257)
Balance as at 30 September 2015	<u>331,986</u>	<u>6,258</u>	<u>23,714</u>	<u>786,517</u>	<u>467,953</u>	<u>1,616,428</u>

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

	← Non-distributable →			Distributable			
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
<u>9 Months Period Ended 30 September 2014</u>							
Balance as at 1 January 2014	221,324	(8,300)	117,052	5,489	967,537	303,441	1,606,543
Foreign currency translation differences for foreign operation	-	-	-	(1,056)	-	-	(1,056)
Fair value of available-for-sale financial assets							
- Gains arising during the period	-	-	-	-	479	-	479
- Reclassification adjustments for gains included in profit or loss	-	-	-	-	(2,863)	-	(2,863)
Total other comprehensive loss for the period	-	-	-	(1,056)	(2,384)	-	(3,440)
Profit for the period	-	-	-	-	-	165,957	165,957
Total comprehensive (loss) / income for the period	-	-	-	(1,056)	(2,384)	165,957	162,517
Distribution to owners of the Company							
- Dividends to owners of the Company	-	-	-	-	-	(158,623)	(158,623)
Total transaction with owners of the Company	-	-	-	-	-	(158,623)	(158,623)
Balance as at 30 September 2014	<u>221,324</u>	<u>(8,300)</u>	<u>117,052</u>	<u>4,433</u>	<u>965,153</u>	<u>310,775</u>	<u>1,610,437</u>

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

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

	Current Year To Date Ended 30.09.2015 RM'000	Preceding Year Corresponding Period Ended 30.09.2014 RM'000
Operating activities		
Profit before tax	267,450	208,650
Investment income	(66,220)	(60,011)
Realised gains recorded in profit or loss	(39,236)	(3,923)
Share of profit of equity accounted associated company	(2,094)	(874)
Purchase of available-for-sale financial assets	(82)	(78,933)
Proceeds from disposal of available-for-sale financial assets	48,157	6,588
Purchase of held-to-maturity financial assets	(52,497)	(38,929)
Maturity of held-to-maturity financial assets	60,000	35,934
Repayment of corporate loan	-	500
Non-cash items:		
Depreciation of plant and equipment	2,977	3,366
Unrealised foreign exchange gain	(1,344)	(722)
Changes in working capital:		
(Increase) / Decrease in loans and receivables	(102,858)	37,451
Increase in reinsurance assets	(65,468)	(26,869)
Increase in insurance receivables	(94,901)	(45,115)
Decrease/(Increase) in deferred acquisition costs	923	(1,511)
Increase in insurance contract liabilities	160,251	106,857
Increase in insurance payables	72,473	42,523
Increase in other payables	17,328	2,403
Cash generated from operating activities	204,859	187,385
Dividend income received	32,926	32,558
Interest income received	32,271	26,651
Rental income on investment property received	656	584
Income tax paid	(44,029)	(38,747)
Net cash flows generated from operating activities	226,683	208,431

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

	Current Year To Date Ended 30.09.2015 RM'000	Preceding Year Corresponding Period Ended 30.09.2014 RM'000
Investing activities		
Proceeds from disposal of plant and equipment	1	216
Purchase of plant and equipment	(7,902)	(1,460)
Net cash flows used in investing activities	<u>(7,901)</u>	<u>(1,244)</u>
Financing activities		
Expenses for issuance of equity securities	(132)	-
Dividends paid to owners of the Company	(188,125)	(158,623)
Proceeds from borrowing	-	67,000
Repayment of borrowing	(35,000)	(46,500)
Net cash flows used in financing activities	<u>(223,257)</u>	<u>(138,123)</u>
Net (decrease) / increase in cash and cash equivalents	(4,475)	69,064
Cash and cash equivalents at beginning of year	819,161	621,451
Effect of movement in exchange rates	10,950	(741)
Cash and cash equivalents at end of period	<u>825,636</u>	<u>689,774</u>

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

**PART A – NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARD (“MFRS”) 134**

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting, and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2014.

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2014, except for the adoption of the following:

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 8, <i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 13, <i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 116, <i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 124, <i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 140, <i>Investment Property (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014

The initial application of the abovementioned standards, amendments and interpretations did not have any material impacts to the current and prior periods financial statements upon their first adoption.

A2. COMMENTS ON SEASONALITY OR CYCLICALITY

The Group's insurance business operations were not significantly affected by seasonality or cyclical factors for the period under review.

However, for the investment holding segment, the dividend income generated from the dividend stocks are subject to timing of the payment of dividend which may fluctuate when comparing quarter to quarter. The Group's investment income is seasonally stronger in 1st Quarter and 3rd Quarter.

A3. UNUSUAL ITEM AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income, or cash flows which are unusual because of their nature, size, or incidence in the current interim period ended 30 September 2015.

A4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 September 2015.

A5. ISSUES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

Saved as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by LPI Capital Bhd ("LPI") :-

Issuance of new Ordinary Shares

During the nine (9) months ended 30 September 2015, the Company increased its issued and paid up ordinary share capital from 221,323,980 to 331,985,808 by way of issuance of 110,661,828 new ordinary shares of RM1.00 each ("LPI Shares") on 24 March 2015 pursuant to the approved proposed Bonus Issue by the shareholders at an Extraordinary General Meeting held on 9 March 2015. The new LPI Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 25 March 2015.

A6. DIVIDEND PAID

- a) A second interim single tier dividend of 55.00 sen per ordinary share amounting to RM121,728,189 in respect of the financial year ended 31 December 2014 on 26 February 2015; and
- b) A first interim single tier dividend of 20.00 sen per ordinary share amounting to RM66,397,162 in respect of the financial year ending 31 December 2015 on 3 August 2015.

A7. OPERATING SEGMENT

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports on a monthly basis. Inter-segment pricing, if any, is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group comprises the following main business segments:

General insurance - Underwriting of all classes of general insurance business, mainly carried out by Lonpac Insurance Bhd

Investment holding - Investment holding operations, mainly carried out by LPI Capital Bhd

A7. OPERATING SEGMENT (CONT'D)

a) Segment reporting:

RM'000	← 9 Months Ended →					
	General insurance		Investment holding		Total	
	2015	2014	2015	2014	2015	2014
External revenue	912,564	838,472	33,399	32,053	945,963	870,525
Inter-segment revenue	-	-	140,000	170,000	140,000	170,000
Segment profit before tax	199,864	181,887	207,586	196,763	407,450	378,650
Segment assets	2,542,375	2,204,970	1,241,806	1,374,604	3,784,181	3,579,574
Segment liabilities	1,965,377	1,714,066	2,376	55,071	1,967,753	1,769,137

i) Reconciliation of reportable segment profit:

RM'000	← 9 Months Ended →	
	2015	2014
Total profit for reportable segments	407,450	378,650
Elimination of inter-segment profit	(140,000)	(170,000)
Consolidated profit before tax	<u>267,450</u>	<u>208,650</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 9 Months Ended →	
	2015	2014
Total assets for reportable segments	3,784,181	3,579,574
Elimination of inter-segment assets	(200,243)	(200,232)
Consolidated assets	<u>3,583,938</u>	<u>3,379,342</u>

iii) Reconciliation of reportable segment liabilities:

RM'000	← 9 Months Ended →	
	2015	2014
Total liabilities for reportable segments	1,967,753	1,769,137
Elimination of inter-segment liabilities	(243)	(232)
Consolidated liabilities	<u>1,967,510</u>	<u>1,768,905</u>

A7. OPERATING SEGMENTS (CONT'D)

b) Underwriting results of insurance fund

i) For the financial period ended 30 September:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Gross written premiums	384,922	333,091	232,916	205,385	90,349	90,911	277,389	264,350	985,576	893,737
Change in unearned premiums provision	(53,190)	(31,638)	(21,986)	(13,440)	(10,727)	(14,598)	(19,930)	(23,547)	(105,833)	(83,223)
Gross earned premiums	331,732	301,453	210,930	191,945	79,622	76,313	257,459	240,803	879,743	810,514
Gross written premiums ceded to reinsurers	(145,538)	(122,860)	(47,024)	(39,346)	(79,245)	(79,682)	(151,366)	(129,303)	(423,173)	(371,191)
Change in unearned premiums provision	18,910	2,548	8,893	2,841	9,726	14,030	13,956	18,203	51,485	37,622
Premiums ceded to Reinsurers	(126,628)	(120,312)	(38,131)	(36,505)	(69,519)	(65,652)	(137,410)	(111,100)	(371,688)	(333,569)
Net earned premiums	205,104	181,141	172,799	155,440	10,103	10,661	120,049	129,703	508,055	476,945
Net claims incurred	(32,217)	(28,330)	(134,313)	(116,234)	(1,942)	(3,625)	(51,421)	(65,248)	(219,893)	(213,437)
Commission income	32,777	26,573	7,231	6,150	4,764	5,939	32,227	27,654	76,999	66,316
Commission expense	(40,107)	(35,881)	(21,465)	(19,268)	(3,052)	(4,042)	(33,306)	(33,605)	(97,930)	(92,796)
Net commission	(7,330)	(9,308)	(14,234)	(13,118)	1,712	1,897	(1,079)	(5,951)	(20,931)	(26,480)
Total out-go	(39,547)	(37,638)	(148,547)	(129,352)	(230)	(1,728)	(52,500)	(71,199)	(240,824)	(239,917)
Underwriting surplus before management expenses	165,557	143,503	24,252	26,088	9,873	8,933	67,549	58,504	267,231	237,028
Management expenses									(106,968)	(91,221)
Underwriting surplus after management expenses									160,263	145,807
Net claims incurred ratio (%)	15.7	15.6	77.7	74.8	19.2	34.0	42.8	50.3	43.3	44.8

A7. OPERATING SEGMENTS (CONT'D)

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

ii) For the 3 months period ended 30 September:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Gross written premiums	121,870	102,513	76,714	68,562	20,341	24,427	91,053	92,224	309,978	287,726
Change in unearned premiums provision	4,839	8,687	(1,120)	(5,523)	6,627	509	3,508	(14,519)	13,854	(10,846)
Gross earned premiums	126,709	111,200	75,594	63,039	26,968	24,936	94,561	77,705	323,832	276,880
Gross written premiums ceded to reinsurers	(40,703)	(30,488)	(15,583)	(13,216)	(16,395)	(20,806)	(57,577)	(52,033)	(130,258)	(116,543)
Change in unearned premiums provision	(6,592)	(9,691)	1,170	1,888	(7,183)	(545)	6,188	15,813	(6,417)	7,465
Premiums ceded to Reinsurers	(47,295)	(40,179)	(14,413)	(11,328)	(23,578)	(21,351)	(51,389)	(36,220)	(136,675)	(109,078)
Net earned premiums	79,414	71,021	61,181	51,711	3,390	3,585	43,172	41,485	187,157	167,802
Net claims incurred	(10,469)	(10,772)	(44,788)	(39,321)	(450)	(601)	(16,186)	(22,051)	(71,893)	(72,745)
Commission income	9,502	7,810	2,721	1,818	1,418	1,638	10,496	8,410	24,137	19,676
Commission expense	(15,854)	(13,153)	(7,671)	(6,261)	(1,071)	(1,206)	(11,787)	(10,745)	(36,383)	(31,365)
Net commission	(6,352)	(5,343)	(4,950)	(4,443)	347	432	(1,291)	(2,335)	(12,246)	(11,689)
Total out-go	(16,821)	(16,115)	(49,738)	(43,764)	(103)	(169)	(17,477)	(24,386)	(84,139)	(84,434)
Underwriting surplus before management expenses	62,593	54,906	11,443	7,947	3,287	3,416	25,695	17,099	103,018	83,368
Management expenses									(35,174)	(29,791)
Underwriting surplus after management expenses									67,844	53,577
Net claims incurred ratio (%)	13.2	15.2	73.2	76.0	13.3	16.8	37.5	53.2	38.4	43.4

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.

30.09.2015	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
RM'000										
Financial assets										
Available-for-sale financial assets										
- Unit trust	5,815	-	-	5,815	-	-	-	-	5,815	5,815
- Quoted shares	991,428	-	-	991,428	-	-	-	-	991,428	991,428
Held-to-maturity financial assets										
- Malaysian Government Securities	-	-	-	-	-	39,770	-	39,770	39,770	39,572
- Malaysian Government Guaranteed Loans	-	-	-	-	-	25,057	-	25,057	25,057	25,101
- Singapore Government Securities	-	-	-	-	-	1,547	-	1,547	1,547	1,514
- Corporate debts securities	-	-	-	-	-	233,495	-	233,495	233,495	230,071
	<u>997,243</u>	<u>-</u>	<u>-</u>	<u>997,243</u>	<u>-</u>	<u>299,869</u>	<u>-</u>	<u>299,869</u>	<u>1,297,112</u>	<u>1,293,501</u>

A11. FINANCIAL INSTRUMENTS (CONT'D)

Fair value information (cont'd)

31.12.2014 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets										
Available-for-sale financial assets										
- Unit trust	5,964	-	-	5,964	-	-	-	-	5,964	5,964
- Quoted shares	1,080,900	-	-	1,080,900	-	-	-	-	1,080,900	1,080,900
Held-to-maturity financial assets										
- Malaysian Government Securities	-	-	-	-	-	44,758	-	44,758	44,758	44,642
- Malaysian Government Guaranteed Loans	-	-	-	-	-	25,039	-	25,039	25,039	25,115
- Singapore Government Securities	-	-	-	-	-	1,406	-	1,406	1,406	1,342
- Corporate debts securities	-	-	-	-	-	238,228	-	238,228	238,228	231,856
	<u>1,086,864</u>	<u>-</u>	<u>-</u>	<u>1,086,864</u>	<u>-</u>	<u>309,431</u>	<u>-</u>	<u>309,431</u>	<u>1,396,295</u>	<u>1,389,819</u>

A11. FINANCIAL INSTRUMENTS (CONT'D)

Fair value information (cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the current interim period ended 30 September 2015. (31.12.2014: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

A12. CAPITAL AND OTHER COMMITMENTS

RM'000	30.09.2015	31.12.2014
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	7,846	-

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 30.09.2015	Preceding Year Corresponding Period Ended 30.09.2014
Income earned:		
Premium income	28,067	27,246
Dividend income	32,702	32,378
Fixed deposits income	2,571	2,596
Corporate debt securities' interest income	2,632	2,632
	<u>65,972</u>	<u>64,852</u>
Expenditure incurred:		
Rental paid	(2,138)	(2,136)
Insurance commission	(31,233)	(29,801)
Stock broking commission paid for equity investment	(145)	-
Corporate advisory fees	(73)	-
	<u>(33,589)</u>	<u>(31,937)</u>

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

B1. REVIEW OF GROUP PERFORMANCE

The Group registered an increase in both revenue and profit before tax for the third quarter of 2015. The Group's revenue rose 16.0% to RM349.5 million largely contributed by the general insurance segment which recorded a growth of 16.9% to RM335.4 million over the previous corresponding quarter in 2014. The increase in the revenue of the general insurance segment was mainly contributed by higher gross earned premium for the quarter which registered a growth of RM46.9 million or 16.9% to RM323.8 million as compared to RM276.9 million recorded in the previous corresponding quarter in 2014. The investment holding segment recorded slightly lower revenue of RM14.1 million as compared to RM14.4 million in the previous corresponding quarter in 2014 due to lower dividend income received during the quarter.

The Group recorded a creditable increase in profit before tax of RM94.9 million for the quarter compared to RM77.4 million in the previous corresponding quarter in 2014, a rise of 22.6% on the back of an improved performance by its wholly-owned subsidiary, Lonpac Insurance Bhd ("Lonpac"). The profit before tax of the general insurance segment jumped by RM17.0 million or 26.1% from RM65.2 million registered in the previous corresponding quarter to RM82.2 million as a result of prudent underwriting and disciplined claims management. The underwriting profit for the quarter rose by RM14.2 million or 26.5% from RM53.6 million to RM67.8 million, contributed by the growth in both of the gross and net earned premium and the lower net claims incurred ratio of 38.4% as compared to 43.4% in the previous corresponding quarter in 2014. In addition, investment holding segment also recorded a higher profit before tax of RM12.7 million as compared to RM12.2 million in the previous corresponding quarter in 2014 mainly due to lower finance cost incurred.

For the financial period ended 30 September 2015, the Group's revenue gained 8.7% or RM75.5 million to RM946.0 million as compared to RM870.5 million in the previous corresponding period in 2014. The increase was largely contributed by the general insurance segment which registered an increase of 8.8% to RM912.6 million over the previous corresponding period in 2014. The revenue from the investment holding segment recorded a higher investment income of RM33.4 million, mainly due to higher interest income received during the period under review.

B1. REVIEW OF GROUP PERFORMANCE (CONT'D)

The Group recorded a strong growth in profit before tax of RM267.5 million, which showed an increase of RM58.8 million or 28.2% as compared to RM208.7 million in the previous corresponding period in 2014. The significant increase was largely contributed by the investment holding segment which recorded a higher profit before tax of RM67.6 million as compared to RM26.8 million in the previous corresponding period in 2014 mainly due to the realised gain on disposal of investment in quoted equities. General insurance segment registered an impressive growth of RM18.0 million or 9.9% to RM199.9 million as compared to RM181.9 million in the previous corresponding period in 2014. The impressive underwriting profit was contributed by the increase in premium income and improved net claims incurred ratio of 43.3% as compared to 44.8% in the previous corresponding period in 2014.

B2. MATERIAL CHANGES IN THE PROFIT BEFORE TAX FOR THE QUARTER REPORTED ON WITH THE IMMEDIATE PRECEDING QUARTER

For the third quarter ended 30 September 2015, the Group recorded a lower profit before tax of RM94.9 million as compared to RM101.8 million in the preceding quarter ended 30 June 2015. The decrease in profit before tax for the said quarter was mainly due to the absence of a one-time gain of RM39.2 million on disposal of investment in equities that contributed to the higher profit for the second quarter 2015.

B3. CURRENT YEAR PROSPECT

a) Malaysia, as an emerging and commodity producing economy, has been affected by weaker commodity prices, the strength of the US dollar and the uncertainty in the global financial markets. As a result, domestic demand has been dampened and this has affected the Malaysian insurance industry, as reflected in the moderation of growth of general insurance premium to 2.3% for the first half year of 2015 from 6.4% registered in the first half of 2014.

While the US economy has registered strong growth, the Asian economies especially China are still struggling to stabilise. We expect the last quarter of 2015 to be challenging for the Malaysian economy and the insurance industry as demand for insurance will continue to slow down. The Group will, however, continue to implement its business plan with prudence and focus on growth expansion in the targeted portfolios.

B3. CURRENT YEAR PROSPECT (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 30.09.2015	Preceding Year Corresponding Quarter Ended 30.09.2014	Current Year To Date Ended 30.09.2015	Preceding Year Corresponding Period Ended 30.09.2014
Profit before tax	94,875	77,425	267,450	208,650
Income tax:				
Current tax charge	20,036	16,122	49,669	45,586
Over provision in prior year	(1,003)	(2,892)	(997)	(2,893)
	19,033	13,230	48,672	42,693
Effective tax rate on current tax charge	21%	21%	19%	22%

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

B7. STATUS OF CORPORATE PROPOSALS

- a) There was no corporate proposal announced but not completed as at 1 October 2015, the latest practicable date which is not earlier than 7 days from the date of the issue of this quarterly report.
- b) Brief explanation of the status of utilisation of proceeds raised from any corporate proposal – Not Applicable.

B8. GROUP BORROWINGS AND DEBT SECURITIES

The Group has no outstanding borrowings and debt securities for the current interim period ended 30 September 2015.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 September 2015. – Not Applicable.

B10. GAINS/ LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

There were no gains/ losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 30 September 2015.

B11. CHANGES IN MATERIAL LITIGATION

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

B12. DIVIDEND

The total dividend for the nine (9) months ended 30 September 2015 was 20.00 sen single tier per share.

B13. EARNINGS PER SHARE

a) Basic earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Profit after tax (RM'000)	75,842	64,195	218,778	165,957
Weighted average no. of ordinary shares in issue ('000)	331,986	330,971	331,986	330,971
Basic earnings per share (sen)	22.85	19.39	65.90	50.14

Comparative figures for the weighted average number of ordinary shares for basic earnings per share have been restated to reflect the adjustment arising from the Bonus Issue during the current interim financial period ended 30 September 2015.

b) Diluted earnings per share. – Not Applicable.

B14. PROFIT FOR THE PERIOD

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2015 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2014 RM'000	Current Year To Date Ended 30.09.2015 RM'000	Preceding Year Corresponding Period Ended 30.09.2014 RM'000
Profit for the period is arrived at after charging:				
Finance costs	-	578	375	652
Depreciation of plant and equipment (N1)	942	1,135	2,977	3,366
Net foreign exchange (gain)/ loss (N1)	(286)	(152)	76	(142)
Allowance for impairment loss on insurance	273	-	1,218	-
and after crediting:				
Interest income (N2)	11,607	9,516	32,638	26,869
Dividend income (N2)	13,825	14,670	32,926	32,558
Rental income (N2)	243	170	656	584
Gain on disposal of quoted and unquoted investments (N3)	-	-	39,235	3,832

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

(N1) Depreciation of plant and equipment, net foreign exchange (gain)/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.

(N3) Gain on disposal of quoted and unquoted investments are reported under item realised gains and losses in the Condensed Consolidated Statement of Profit or Loss.

B15. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 30 September 2015, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, are as follows:

	As at 30.09.2015 RM'000	As at 31.12.2014 RM'000
Total retained profits of the Group:		
- Realised	572,418	550,522
- Unrealised	16,729	15,905
	<u>589,147</u>	<u>566,427</u>
Total share of retained profits from associated company		
- Realised	7,802	5,709
	<u>596,949</u>	<u>572,136</u>
Less: Consolidation adjustments	(128,996)	(134,836)
Total retained profits as per statement of financial position	<u><u>467,953</u></u>	<u><u>437,300</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.