

**LPI CAPITAL BHD**
**Condensed Consolidated Statement of Profit or Loss for the Quarter Ended 30 June 2019 - Unaudited**

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <b>30.06.2019</b> RM'000	Preceding Year Corresponding Quarter Ended <b>30.06.2018</b> RM'000	Current Year To Date Ended <b>30.06.2019</b> RM'000	Preceding Year Corresponding Period Ended <b>30.06.2018</b> RM'000
<b>Operating revenue</b>	386,902	353,048	779,604	734,046
Gross written premiums	366,627	303,777	827,514	787,022
Change in unearned premiums provision	1,347	31,864	(101,316)	(101,652)
Gross earned premiums	367,974	335,641	726,198	685,370
Gross written premiums ceded to reinsurers	(117,924)	(81,880)	(297,476)	(287,123)
Change in unearned premiums provision	1,955	(28,626)	58,918	43,287
Premiums ceded to reinsurers	(115,969)	(110,506)	(238,558)	(243,836)
<b>Net earned premiums</b>	252,005	225,135	487,640	441,534
Investment income	18,928	17,407	53,406	48,676
Realised gains	2	1	2	-
Fair value gains	1,020	71	1,753	122
Commission income	25,074	25,575	53,595	56,677
Net reversal of impairment loss on insurance receivables	918	-	-	-
Net reversal of impairment loss on investments carried at amortised cost	3	-	6	-
Other operating income	1,722	704	3,404	3,424
<b>Other income</b>	47,667	43,758	112,166	108,899
Gross claims paid	(152,343)	(102,226)	(274,773)	(242,090)
Claims ceded to reinsurers	55,254	26,063	84,239	73,238
Gross change in claims liabilities	52,264	(110,867)	23,833	(105,980)
Change in claims liabilities ceded to reinsurers	(68,416)	94,807	(58,317)	80,718
<b>Net claims incurred</b>	(113,241)	(92,223)	(225,018)	(194,114)
Realised losses	-	-	-	(68)
Fair value losses	(16)	(476)	(16)	(1,569)
Commission expense	(43,025)	(39,313)	(83,858)	(78,282)
Management expenses	(50,974)	(50,228)	(101,027)	(98,814)
Net impairment loss on insurance receivables	-	(339)	(2,597)	(602)
Net impairment loss on investments carried at amortised cost	-	(4)	-	(5)
<b>Other expenses</b>	(94,015)	(90,360)	(187,498)	(179,340)
<b>Operating profit</b>	92,416	86,310	187,290	176,979
Finance costs	(244)	-	(434)	(4)
Share of profit after tax of equity accounted associated company	453	567	1,213	1,480
<b>Profit before tax</b>	92,625	86,877	188,069	178,455
Tax expense	(21,843)	(21,139)	(40,129)	(40,217)
<b>Profit for the period</b>	70,782	65,738	147,940	138,238
<b>Profit attributable to:</b>				
Owners of the Company	70,782	65,738	147,940	138,238
Earnings per ordinary share (sen)				
- Basic	17.77	16.50	37.14	34.70
- 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 2018.

**LPI CAPITAL BHD**

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter Ended 30 June 2019 - Unaudited**

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <u>30.06.2019</u> RM'000	Preceding Year Corresponding Quarter Ended <u>30.06.2018</u> RM'000	Current Year To Date Ended <u>30.06.2019</u> RM'000	Preceding Year Corresponding Period Ended <u>30.06.2018</u> RM'000
<b>Profit for the period</b>	70,782	65,738	147,940	138,238
<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	1,954	(212)	95	(3,091)
<b>Items that will not be reclassified to profit or loss</b>				
Net (losses)/gains on investments in equity instruments designated at fair value through other comprehensive income	(7,099)	(28,159)	(77,557)	113,772
Income tax relating to these items	77	21	495	57
<b>Total other comprehensive (loss)/income for the period, net of tax</b>	<u>(5,068)</u>	<u>(28,350)</u>	<u>(76,967)</u>	<u>110,738</u>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<u>65,714</u>	<u>37,388</u>	<u>70,973</u>	<u>248,976</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 2018.**

## LPI CAPITAL BHD

### Condensed Consolidated Statement of Financial Position As At 30 June 2019 - Unaudited

	As At <b><u>30.06.2019</u></b>	As At <b><u>31.12.2018</u></b>
	RM'000	RM'000
<b>Assets</b>		
Plant and equipment	17,643	18,259
Right-of-use assets	36,047	-
Investment properties	27,450	27,360
Investment in an associated company	32,516	31,564
Other investments	1,268,873	1,368,652
Fair value through other comprehensive income	1,013,354	1,090,899
Fair value through profit or loss	167,560	179,831
Amortised cost	87,959	97,922
Reinsurance assets	820,323	819,596
Loans and receivables, excluding insurance receivables	1,426,619	1,351,063
Insurance receivables	214,371	159,997
Deferred acquisition costs	43,398	45,553
Cash and cash equivalents	418,154	418,509
<b>Total assets</b>	<b><u>4,305,394</u></b>	<b><u>4,240,553</u></b>
<b>Equity</b>		
Share capital	398,383	398,383
Reserves	1,662,054	1,758,402
<b>Total equity</b>	<b><u>2,060,437</u></b>	<b><u>2,156,785</u></b>
<b>Liabilities</b>		
Insurance contract liabilities	1,936,883	1,858,994
Deferred tax liabilities	4,199	4,893
Lease liabilities	36,295	-
Insurance payables	124,339	88,498
Other payables	113,337	107,112
Current tax payables	29,904	24,271
<b>Total liabilities</b>	<b><u>2,244,957</u></b>	<b><u>2,083,768</u></b>
<b>Total equity and liabilities</b>	<b><u>4,305,394</u></b>	<b><u>4,240,553</u></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 2018.**

## LPI CAPITAL BHD

### Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 June 2019 - Unaudited

	← Non-distributable	→ Distributable			
	Share capital	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>6 Months Period Ended 30 June 2019</u></b>					
At 1 January 2019	398,383	23,283	930,382	804,737	2,156,785
Foreign currency translation differences for foreign operation	-	95	-	-	95
Net losses on investments in equity instruments designated at fair value through other comprehensive income	-	-	(77,062)	-	(77,062)
Total other comprehensive income/(loss) for the period	-	95	(77,062)	-	(76,967)
Profit for the period	-	-	-	147,940	147,940
Total comprehensive income/(loss) for the period	-	95	(77,062)	147,940	70,973
Distributions to owners of the Company					
Dividends to owners of the Company	-	-	-	(167,321)	(167,321)
Total transaction with owners of the Company	-	-	-	(167,321)	(167,321)
At 30 June 2019	398,383	23,378	853,320	785,356	2,060,437

## LPI CAPITAL BHD

### Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 June 2019 - Unaudited (continued)

	← Non-distributable →		Distributable		
	Share capital RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
<b>6 Months Period Ended 30 June 2018</b>					
At 31 December 2017	338,244	22,277	760,426	799,964	1,920,911
Changes on initial application of MFRS 9	-	-	(1,672)	3,993	2,321
At 1 January 2018	338,244	22,277	758,754	803,957	1,923,232
Foreign currency translation differences for foreign operation	-	(3,091)	-	-	(3,091)
Net gains on investments in equity instruments designated at fair value through other comprehensive income	-	-	113,829	-	113,829
Total other comprehensive (loss)/income for the period	-	(3,091)	113,829	-	110,738
Profit for the period	-	-	-	138,238	138,238
Total comprehensive (loss)/income for the period	-	(3,091)	113,829	138,238	248,976
Contributions from/(Distributions to) owners of the Company					
Issue of Ordinary Shares					
- Pursuant to bonus issue	60,139	-	-	(60,139)	-
- Expenses for issuance of equity securities	-	-	-	(157)	(157)
Dividends to owners of the Company	-	-	-	(149,394)	(149,394)
Total transactions with owners of the Company	60,139	-	-	(209,690)	(149,551)
At 30 June 2018	398,383	19,186	872,583	732,505	2,022,657

**Notes :** The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

**LPI CAPITAL BHD****Condensed Consolidated Statement of Cash Flow  
for the Period Ended 30 June 2019 - Unaudited**

	Current Year To Date Ended <b><u>30.06.2019</u></b> RM'000	Preceding Year Corresponding Period Ended <b><u>30.06.2018</u></b> RM'000
<b>Operating activities</b>		
Profit before tax	188,069	178,455
Investment income	(53,406)	(48,676)
Net realised (gains)/losses recorded in profit or loss	(2)	68
Net fair value (gains)/losses recorded in profit or loss	(1,737)	1,447
Share of profit of equity accounted associated company	(1,213)	(1,480)
Purchase of financial assets carried at fair value through profit or loss	(25,984)	(17,522)
Purchase of financial assets carried at amortised cost	-	(19,650)
Maturity of financial assets carried at amortised cost	10,000	5,900
Maturity of financial assets carried at fair value through profit or loss	40,000	-
Interest on lease liabilities	434	4
<b>Non-cash items:</b>		
Depreciation of plant and equipment	2,210	1,731
Depreciation of right-of-use assets	3,584	-
Unrealised foreign exchange gain	(94)	(374)
Net impairment loss on insurance receivables	2,597	602
(Net reversal of )/ Net impairment loss on investment carried at amortised cost	(6)	5
<b>Changes in working capital:</b>		
(Increase)/Decrease in loans and receivables	(75,442)	8,039
Increase in reinsurance assets	(600)	(124,005)
Increase in insurance receivables	(56,941)	(20,177)
Decrease/(Increase) in deferred acquisition costs	2,162	(1,678)
Increase in insurance contract liabilities	77,482	207,633
Increase in insurance payables	35,837	38,171
Increase/(Decrease) in other payables	6,164	(1,281)
Cash generated from operating activities	<u>153,114</u>	<u>207,212</u>
Dividend income received	20,436	16,216
Interest income received	32,594	32,007
Rental income on investment property received	423	501
Interest paid	(434)	-
Income tax paid	<u>(34,698)</u>	<u>(37,786)</u>
<b>Net cash flows generated from operating activities</b>	<u>171,435</u>	<u>218,150</u>

## LPI CAPITAL BHD

### Condensed Consolidated Statement of Cash Flow for the Period Ended 30 June 2019 - Unaudited (continued)

	Current Year To Date Ended <b><u>30.06.2019</u></b> RM'000	Preceding Year Corresponding Period Ended <b><u>30.06.2018</u></b> RM'000
<b>Investing activities</b>		
Proceeds from disposal of plant and equipment	2	-
Purchase of plant and equipment	(1,585)	(1,726)
<b>Net cash flows used in investing activities</b>	<b><u>(1,583)</u></b>	<b><u>(1,726)</u></b>
<b>Financing activities</b>		
Expenses for issuance of equity securities	-	(157)
Dividends paid to owners of the Company	(167,321)	(149,394)
Payment of lease liabilities	(3,336)	(879)
<b>Net cash flows used in financing activities</b>	<b><u>(170,657)</u></b>	<b><u>(150,430)</u></b>
Net (decrease)/increase in cash and cash equivalents	(805)	65,994
Cash and cash equivalents at 1 January	418,509	294,459
Effect of movement in exchange rates	450	(2,318)
<b>Cash and cash equivalents at 30 June</b>	<b><u>418,154</u></b>	<b><u>358,135</u></b>

**Note : The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.**

**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 a complete set of MFRS/IFRS financial statements, and should be read in conjunction with the Group’s last annual consolidated audited financial statements as at and for the year ended 31 December 2018 (“last annual consolidated audited financial statements”). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated audited financial statements.

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

<b>MFRSs/Amendments/Interpretations</b>	<b>Effective date</b>
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 9, <i>Financial Instruments – Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 119, <i>Employee Benefits - Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</i>	1 January 2019

The initial application of the abovementioned standards, amendments and interpretations did not have any material impact to the current and prior periods financial statements upon their first adoption except as mentioned in Note A2 “changes in accounting policies”.



## A2. CHANGES IN ACCOUNTING POLICIES

### **MFRS 16, *Leases***

The Group has initially adopted MFRS 16, *Leases* from 1 January 2019.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. As a result, the Group, as a lessee has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Lessor accounting remains similar to the previous standard, MFRS 117 *Leases* – i.e. lessors continue to classify leases as finance or operating leases.

The Group has applied MFRS 16 using modified retrospective approach. The Group chooses to measure the right-of-use asset equals to the lease liability at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under MFRS 117 and related interpretations.

The details of the changes in accounting policies are disclosed below.

#### **A. Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IC Interpretation 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

#### **B. As a lessee**

The Group leases many assets, including properties, printing and photostat machines.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under MFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

## A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### **MFRS 16, Leases (continued)**

#### **B. As a lessee (continued)**

However, the Group has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and some leases of low-value assets (e.g. printing and photostat machines). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets separately in the statement of financial position. The carrying amounts of right-of-use assets are as below.

	<b>Office buildings RM'000</b>	<b>Printing and photostat machines RM'000</b>	<b>Total RM'000</b>
Balance at 1 January 2019	21,492	1,371	22,863
Balance at 30 June 2019	35,031	1,016	36,047

The Group presents lease liabilities in 'liabilities' in the statement of financial position.

#### **i. Significant accounting policies**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

## A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### MFRS 16, *Leases* (continued)

#### B. As a lessee (continued)

##### i. Significant accounting policies (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

##### ii. Transition

Previously, the Group classified property leases as operating leases under MFRS 117, which include office buildings. The leases typically run for a period of 3 years. Some leases include an option to renew the lease for an additional three years after the end of the non-cancellable period.

At transition, for leases classified as operating leases under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

## A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### **MFRS 16, Leases (continued)**

#### **C. As a lessor**

The Group leases out its investment property, including right-of-use assets. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under MFRS 117. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to MFRS 16 for leases in which it acts as a lessor.

#### **D. Impacts on financial statements**

##### **i. Impacts on transition**

On transition to MFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	<b>1.1.2019</b> <b>RM'000</b>
Right-of-use assets	22,863
Lease liabilities	<u>22,863</u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.6%.

## A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### MFRS 16, *Leases* (continued)

#### D. Impacts on financial statements (continued)

##### i. Impacts on transition (continued)

	<b>1.1.2019</b> <b>RM'000</b>
Operating lease commitments at 31 December 2018 as disclosed in the Group's financial statements	<u>13,843</u>
Discounted using the incremental borrowing rate at 1 January 2019	13,245
Recognition exemption for leases of low-value assets	(883)
Extension options reasonably certain to be exercised	<u>10,501</u>
Lease liabilities recognised at 1 January 2019	<u>22,863</u>

##### ii. Impacts for the period

As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RM36,047,000 of right-of-use assets and RM36,295,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under MFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RM3,584,000 of depreciation charges and RM434,000 of interest costs from these leases.

**A3. 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.

**A4. UNUSUAL ITEMS 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 June 2019.

**A5. CHANGES IN ESTIMATES**

In preparing these condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated audited financial statements, except for the new significant judgements related to lessee accounting under MFRS 16, which are described in Note A2.

**A6. 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 2019.

**A7. DIVIDEND PAID**

In the current interim period ended 30 June 2019, the Company paid a second interim single tier dividend of 42.00 sen per ordinary share amounting to RM167,320,756 in respect of the financial year ended 31 December 2018 on 27 February 2019.

## A8. OPERATING SEGMENTS

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

Segment reporting:

RM'000	← 6 Months Ended →					
	General insurance		Investment holding		Total	
	2019	2018	2019	2018	2019	2018
External revenue	760,696	716,207	18,908	17,839	779,604	734,046
Inter-segment revenue	-	-	130,000	130,000	130,000	130,000
Segment profit before tax	173,812	164,597	144,257	143,858	318,069	308,455
Segment assets	3,191,846	2,995,816	1,313,548	1,363,125	4,505,394	4,358,941
Segment liabilities	2,242,771	2,133,928	2,186	2,356	2,244,957	2,136,284

## A8. OPERATING SEGMENTS (CONTINUED)

### Business segments (continued)

#### i) Reconciliation of reportable segment profit:

RM'000	← 6 Months Ended →	
	<u>2019</u>	<u>2018</u>
Total profit for reportable segments	318,069	308,455
Elimination of inter-segment profit	(130,000)	(130,000)
Consolidated profit before tax	<u>188,069</u>	<u>178,455</u>

#### ii) Reconciliation of reportable segment assets:

RM'000	← 6 Months Ended →	
	<u>2019</u>	<u>2018</u>
Total assets for reportable segments	4,505,394	4,358,941
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	<u>4,305,394</u>	<u>4,158,941</u>

## A9. 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.

## A10. 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.



## A11. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

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 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 as at the date of this report, and Lonpac in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the Act.

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

## A12. FINANCIAL INSTRUMENTS

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments. Further, for the current interim period the fair value disclosure of lease liabilities is also not required.

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

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.

<b>RM'000</b>	<b>Fair value of financial instruments carried at fair value</b>				<b>Fair value of financial instruments not carried at fair value</b>				<b>Total fair value</b>	<b>Carrying amount</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>		
<b>30.06.2019</b>										
<b>Financial assets</b>										
<i>Designated at fair value through other comprehensive income</i>										
- Quoted shares	1,013,354	-	-	1,013,354	-	-	-	-	1,013,354	1,013,354
<i>Mandatory at fair value through profit or loss</i>										
- Unit trust	57,934	-	-	57,934	-	-	-	-	57,934	57,934
- Real estate investment trusts ("REITs")	2,499	-	-	2,499	-	-	-	-	2,499	2,499
- Exchange-traded fund ("ETF")	697	-	-	697	-	-	-	-	697	697
- Quoted shares	3,778	-	-	3,778	-	-	-	-	3,778	3,778
- Unquoted shares	-	-	1,312	1,312	-	-	-	-	1,312	1,312
- Corporate bonds and sukuk	-	101,340	-	101,340	-	-	-	-	101,340	101,340
<i>Amortised cost</i>										
- Malaysian government guaranteed loans	-	-	-	-	-	40,860	-	40,860	40,860	40,022
- Corporate bonds and sukuk	-	-	-	-	-	48,431	-	48,431	48,431	47,937
	<b>1,078,262</b>	<b>101,340</b>	<b>1,312</b>	<b>1,180,914</b>	<b>-</b>	<b>89,291</b>	<b>-</b>	<b>89,291</b>	<b>1,270,205</b>	<b>1,268,873</b>

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

**31.12.2018**

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>										
<i>Designated at fair value through other comprehensive income</i>										
- Quoted shares	1,090,899	-	-	1,090,899	-	-	-	-	1,090,899	1,090,899
<i>Mandatory at fair value through profit or loss</i>										
- Unit trust	36,009	-	-	36,009	-	-	-	-	36,009	36,009
- Real estate investment trusts ("REITs")	2,365	-	-	2,365	-	-	-	-	2,365	2,365
- Exchange-traded fund ("ETF")	590	-	-	590	-	-	-	-	590	590
- Quoted shares	3,635	-	-	3,635	-	-	-	-	3,635	3,635
- Unquoted shares	-	-	1,328	1,328	-	-	-	-	1,328	1,328
- Corporate bonds and sukuk	-	135,904	-	135,904	-	-	-	-	135,904	135,904
<i>Amortised cost</i>										
- Malaysian government guaranteed loans	-	-	-	-	-	40,420	-	40,420	40,420	40,033
- Corporate bonds and sukuk	-	-	-	-	-	58,001	-	58,001	58,001	57,889
	<u>1,133,498</u>	<u>135,904</u>	<u>1,328</u>	<u>1,270,730</u>	<u>-</u>	<u>98,421</u>	<u>-</u>	<u>98,421</u>	<u>1,369,151</u>	<u>1,368,652</u>

## A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

### **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 2019 (31.12.2018: no transfer in either directions).

### **Level 3 fair value**

The following table shows a reconciliation of Level 3 fair values:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted shares</b>		
As at 1 January	1,328	235
Changes on initial application of MFRS 9	-	1,080
	<u>1,328</u>	<u>1,315</u>
Fair value (losses)/gains in profit or loss	(16)	13
Balance as at 30 June 2019 / 31 December 2018	<u>1,312</u>	<u>1,328</u>

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

**Financial instruments carried at fair value**

<b>Type</b>	<b>Description of valuation technique and inputs used</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Unquoted shares	The fair value is determined to approximate the net assets value of the investee as it is immaterial in the context of the condensed interim financial statements.	Net assets value	The higher the value of net assets the higher the fair value.

A13. CAPITAL AND OTHER COMMITMENTS

RM'000	<u>30.06.2019</u>	<u>31.12.2018</u>
<b>Capital expenditure commitments</b>		
<b>Plant and equipment</b>		
Contracted but not provided for	3,728	10,979

#### A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions of the Group are as follows:-

RM'000	Associated Company		Companies in which a Director has substantial financial interest	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
<b>Income earned:</b>				
Premium income	313	387	28,545	26,602
Dividend income	-	-	16,506	15,230
Fixed deposits income	-	-	2,757	2,781
Corporate bonds and sukuk income	-	-	1,462	1,610
Information technology services	6	9	-	-
	<u>319</u>	<u>396</u>	<u>49,270</u>	<u>46,223</u>
<b>Expenditure incurred:</b>				
Rental paid	-	-	(1,494)	(1,458)
Insurance commission	(82)	(86)	(28,059)	(24,770)
Corporate advisory fees	-	-	-	(86)
	<u>(82)</u>	<u>(86)</u>	<u>(29,553)</u>	<u>(26,314)</u>
<b>Other transaction:</b>				
Purchase of corporate bonds and sukuk	-	-	-	(10,000)

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

**B1. REVIEW OF GROUP PERFORMANCE**

Table 1: Financial review for current quarter and financial year to date

RM'mil	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	30.06.2019	30.06.2018	Amount	% / ppt (*)	30.06.2019	30.06.2018	Amount	% / ppt (*)
<b>Revenue by segments</b>								
General insurance segment	385.5	351.3	34.2	9.7%	760.7	716.2	44.5	6.2%
Gross earned premiums	368.0	335.6	32.4	9.7%	726.2	685.4	40.8	6.0%
Investment income	17.5	15.7	1.8	11.5%	34.5	30.8	3.7	12.0%
Investment holding segment								
Investment income	1.4	1.7	(0.3)	(17.6)%	18.9	17.8	1.1	6.2%
Total revenue	386.9	353.0	33.9	9.6%	779.6	734.0	45.6	6.2%
<b>Revenue by geographical locations</b>								
Malaysia	364.7	337.2	27.5	8.2%	737.4	701.9	35.5	5.1%
Singapore	22.2	15.8	6.4	40.5%	42.2	32.1	10.1	31.5%
Total revenue	386.9	353.0	33.9	9.6%	779.6	734.0	45.6	6.2%
Operating profit	92.4	86.3	6.1	7.1%	187.3	177.0	10.3	5.8%

(\* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 1: Financial review for current quarter and financial year to date (continued)

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	30.06.2019	30.06.2018	Amount	% / ppt (*)	30.06.2019	30.06.2018	Amount	% / ppt (*)
<b>Profit before tax by segments</b>								
General insurance (RM'mil)	93.9	87.2	6.7	7.7%	173.8	164.6	9.2	5.6%
Investment holding (RM'mil)	(1.3)	(0.3)	(1.0)	(333.3)%	14.3	13.9	0.4	2.9%
Total profit before tax	92.6	86.9	5.7	6.6%	188.1	178.5	9.6	5.4%
<b>Profit before tax by geographical locations</b>								
Malaysia (RM'mil)	90.2	84.2	6.0	7.1%	183.1	175.8	7.3	4.2%
Singapore (RM'mil)	1.9	2.1	(0.2)	(9.5)%	3.8	1.2	2.6	216.7%
Cambodia (RM'mil)	0.5	0.6	(0.1)	(16.7)%	1.2	1.5	(0.3)	(20.0)%
Total profit before tax	92.6	86.9	5.7	6.6%	188.1	178.5	9.6	5.4%
Profit attributable to owners of the Company (RM'mil)	70.8	65.7	5.1	7.8%	147.9	138.2	9.7	7.0%
Net return on equity (%)	3.4	3.3	-	0.1 ppt	7.2	6.8	-	0.4 ppt
Earnings per share (sen)	17.77	16.50	1.27	7.7%	37.14	34.70	2.44	7.0%

(\* ppt – percentage points)



B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 1: Financial review for current quarter and financial year to date (continued)

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	30.06.2019	30.06.2018	Amount	% / ppt (*)	30.06.2019	30.06.2018	Amount	% / ppt (*)
General insurance gross written premiums (RM'mil)	366.6	303.8	62.8	20.7%	827.5	787.0	40.5	5.1%
General insurance net earned premiums (RM'mil)	252.0	225.1	26.9	12.0%	487.6	441.5	46.1	10.4%
General insurance underwriting profit (RM'mil)	73.0	70.6	2.4	3.4%	132.6	130.2	2.4	1.8%
General insurance claims incurred ratio (%)	44.9	41.0	-	3.9 ppt	46.1	44.0	-	2.1 ppt
General insurance management expenses ratio (%)	19.0	21.6	-	(2.6) ppt	20.5	21.7	-	(1.2) ppt
General insurance commission ratio (%)	7.1	6.1	-	1.0 ppt	6.2	4.9	-	1.3 ppt
General insurance combined ratio (%)	71.0	68.7	-	2.3 ppt	72.8	70.6	-	2.2 ppt

(\* ppt – percentage points)

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 3: Underwriting results of general insurance for the 3 months period ended 30 June 2019:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gross written premiums	149,111	133,158	83,030	74,322	35,139	11,735	99,347	84,562	366,627	303,777
Change in unearned premiums provision	931	10,077	929	1,200	(13,547)	2,648	13,034	17,939	1,347	31,864
Gross earned premiums	150,042	143,235	83,959	75,522	21,592	14,383	112,381	102,501	367,974	335,641
Gross written premiums ceded to reinsurers	(38,671)	(39,563)	(3,773)	(3,390)	(30,912)	(6,412)	(44,568)	(32,515)	(117,924)	(81,880)
Change in unearned premiums provision	(7,260)	(5,715)	(75)	(2,196)	14,157	(3,385)	(4,867)	(17,330)	1,955	(28,626)
Premiums ceded to reinsurers	(45,931)	(45,278)	(3,848)	(5,586)	(16,755)	(9,797)	(49,435)	(49,845)	(115,969)	(110,506)
Net earned premiums	104,111	97,957	80,111	69,936	4,837	4,586	62,946	52,656	252,005	225,135
Net claims incurred	(13,930)	(9,156)	(59,006)	(53,547)	513	(873)	(40,818)	(28,647)	(113,241)	(92,223)
Commission income	11,323	11,205	440	993	1,104	1,219	12,207	12,158	25,074	25,575
Commission expense	(18,359)	(17,137)	(8,110)	(6,947)	(907)	(1,092)	(15,649)	(14,137)	(43,025)	(39,313)
Net commission	(7,036)	(5,932)	(7,670)	(5,954)	197	127	(3,442)	(1,979)	(17,951)	(13,738)
Total out-go	(20,966)	(15,088)	(66,676)	(59,501)	710	(746)	(44,260)	(30,626)	(131,192)	(105,961)
Underwriting surplus before management expenses	83,145	82,869	13,435	10,435	5,547	3,840	18,686	22,030	120,813	119,174
Management expenses of the insurance fund									(47,796)	(48,588)
Underwriting surplus after management expenses									73,017	70,586
Net claims incurred ratio (%)	13.4	9.3	73.7	76.6	(10.6)	19.0	64.8	54.4	44.9	41.0

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 3: Underwriting results of general insurance for the financial period ended 30 June 2019:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gross written premiums	353,608	331,496	171,068	157,452	64,721	47,808	238,117	250,266	827,514	787,022
Change in unearned premiums provision	(52,509)	(40,151)	(5,980)	(7,795)	(19,660)	(11,290)	(23,167)	(42,416)	(101,316)	(101,652)
Gross earned premiums	301,099	291,345	165,088	149,657	45,061	36,518	214,950	207,850	726,198	685,370
Gross written premiums ceded to reinsurers	(124,417)	(122,347)	(7,770)	(7,183)	(54,520)	(37,083)	(110,769)	(120,510)	(297,476)	(287,123)
Change in unearned premiums provision	23,399	20,871	(582)	(5,873)	19,667	10,150	16,434	18,139	58,918	43,287
Premiums ceded to reinsurers	(101,018)	(101,476)	(8,352)	(13,056)	(34,853)	(26,933)	(94,335)	(102,371)	(238,558)	(243,836)
Net earned premiums	200,081	189,869	156,736	136,601	10,208	9,585	120,615	105,479	487,640	441,534
Net claims incurred	(26,993)	(26,595)	(113,128)	(110,083)	(2,852)	(1,540)	(82,045)	(55,896)	(225,018)	(194,114)
Commission income	22,279	23,037	834	1,942	4,328	3,377	26,154	28,321	53,595	56,677
Commission expense	(36,614)	(34,167)	(15,879)	(14,008)	(2,182)	(2,497)	(29,183)	(27,610)	(83,858)	(78,282)
Net commission	(14,335)	(11,130)	(15,045)	(12,066)	2,146	880	(3,029)	711	(30,263)	(21,605)
Total out-go	(41,328)	(37,725)	(128,173)	(122,149)	(706)	(660)	(85,074)	(55,185)	(255,281)	(215,719)
Underwriting surplus before management expenses	158,753	152,144	28,563	14,452	9,502	8,925	35,541	50,294	232,359	225,815
Management expenses of the insurance fund									(99,734)	(95,644)
Underwriting surplus after management expenses									132,625	130,171
Net claims incurred ratio (%)	13.5	14.0	72.2	80.6	27.9	16.1	68.0	53.0	46.1	44.0

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

### **Revenue**

Despite the implementation of Phase 2 of the Liberalisation Framework effective from 1<sup>st</sup> July 2017, whereby the general insurance market is expected to see keener competition and pricing pressure on motor and fire insurances, the Group's revenue grew by RM33.9 million to RM386.9 million from RM353.0 million in the second quarter of 2018, an increase of 9.6% as compared to the corresponding quarter last year. The increase was mainly driven by growth in gross earned premium of 9.7% or RM32.4 million from its general insurance segment. Investment holding segment recorded lower revenue of RM1.4 million as compared to RM1.7 million in the corresponding quarter in 2018 due to lower interest income received.

Revenue of the Group for the six months period ended 30 June 2019 grew by 6.2% or RM45.6 million to RM779.6 million from RM734.0 million in the corresponding period in 2018. Of the total amount of RM779.6 million, RM760.7 million was generated from general insurance segment and RM18.9 million from investment holding segment. The growth in revenue was largely contributed by the general insurance segment, which registered an increase of 6.2% to RM760.7 million compared to RM716.2 million in 30 June 2018. The investment holding segment recorded higher revenue of RM18.9 million as compared to RM17.8 million in 2018 mainly due to higher dividend income received during the current financial period.

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

### **Profit Before Tax**

Profit before tax of the Group for the second quarter of 2019 grew by 6.6% to RM92.6 million from RM86.9 million in the corresponding quarter in 2018. The growth was contributed by profit from the general insurance segment, which increased by 7.7% to RM93.9 million from RM87.2 million in the second quarter of 2018. Underwriting profit for the current quarter rose by 3.4% to RM73.0 million from RM70.6 million previously, mainly contributed by a growth in net earned premium by 12.0% to RM252.0 million from RM225.1 million in the corresponding quarter in 2018. The investment holding segment recorded a higher loss before tax of RM1.3 million as compared to RM0.3 million in the corresponding quarter in 2018 mainly due to lower interest income received and higher management expenses during the current quarter.

Profit before tax of the Group for the six months period ended 30 June 2019 grew by 5.4% or RM9.6 million to RM188.1 million from RM178.5 million in the corresponding period in 2018. The increase was contributed by profit from general insurance segment, which increased by 5.6% or RM9.2 million to RM173.8 million from RM164.6 million in the corresponding period in 2018. The investment holding segment recorded a higher profit before tax of RM14.3 million as compared to RM13.9 million in the corresponding period in 2018 due to higher dividend income received.

Business operation in Malaysia contributed 97.4% and 97.3% of the Group's total profit before tax in the second quarter of 2019 and current period under review respectively.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 4: Other comprehensive income for current quarter and financial year to date

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 30.06.2019	Preceding Year Corresponding Quarter Ended 30.06.2018	Current Year To Date Ended 30.06.2019	Preceding Year Corresponding Period Ended 30.06.2018
RM' mil				
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	1.9	(0.2)	0.1	(3.1)
Items that will not be reclassified to profit or loss				
Net (losses)/gains on investments in equity instruments designated at fair value through other comprehensive income	(7.1)	(28.2)	(77.6)	113.7
Income tax relating to these items	0.1	-	0.5	0.1
Total other comprehensive (loss)/income for the period, net of tax	(5.1)	(28.4)	(77.0)	110.7

The Group's total other comprehensive income for the six months ended 30 June 2019 recorded a net loss of RM77.0 million as compared to a net gain of RM110.7 million in the corresponding quarter in 2018. The decrease was mainly due to unrealised fair value loss on its investment in quoted equities.

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 5: Review of assets and liabilities

RM' mil	As at 30.06.2019	As at 31.12.2018	Changes	
			Amount	%
Total assets	4,305.4	4,240.6	64.8	1.5
Total liabilities	2,245.0	2,083.8	161.2	7.7
Total equity	2,060.4	2,156.8	(96.4)	(4.5)

### **Total assets**

As at 30 June 2019, the Group's total assets increased by RM64.8 million to RM4,305.4 million from RM4,240.6 million as at 31 December 2018. The increase was mainly attributed by the recognition of right-of-use assets upon the adoption of MFRS 16, growth in reinsurance assets and insurance receivables. The general insurance segment accounted for 74.1% of the Group's total assets as at 30 June 2019.

### **Total liabilities**

As at 30 June 2019, total liabilities of the Group increased to RM2,245.0 million from RM2,083.8 million as at 31 December 2018. This mainly consists of RM77.9 million increase in insurance contract liabilities and RM35.8 million in insurance payables of its general insurance segment.

### **Total equity**

The Group's total equity dropped by 4.5% or RM96.4 million to RM2,060.4 million from RM2,156.8 million as at 31 December 2018 mainly due to decrease in retained earnings after the payment of dividends amounting to RM167.3 million, offsetted by RM147.9 million net profit generated during the current financial period, as well as decrease in fair value reserve of RM77.0 million on its investment in equities. As a result, the Group's net tangible asset per share decreased to RM5.17 from RM5.41 as at 31 December 2018.

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 6: Breakdown of Key Financial Information of Foreign Operation - Lonpac Insurance Bhd (Singapore Branch)

Exchange rate as at 30.06.2019 SGD1.00 = RM3.05	Functional Currency SGD'000	Reporting Currency RM'000
Gross earned premiums	13,060	39,832
Investment income	788	2,404
<b>Total revenue</b>	<b>13,848</b>	<b>42,236</b>
Profit before tax	1,247	3,804
Profit after tax	1,219	3,718
Total assets	65,596	200,068
Total liabilities	55,328	168,750

For consolidation purpose, the financial statements of Singapore Branch of its subsidiary, Lonpac Insurance Bhd are translated from SGD to RM at exchange rate at the end of the reporting period.



## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 7: Review of statement of cash flow

RM'mil	Current Year To Date Ended 30.06.2019	Preceding Year Corresponding Period Ended 30.06.2018
Profit after tax	147.9	138.2
Net cash flows generated from operating activities	171.4	218.1
Net cash flows used in investing activities	(1.6)	(1.7)
Net cash flows used in financing activities	(170.6)	(150.4)
Net decrease in cash and cash equivalents	(0.8)	66.0
Cash and cash equivalents at 1 January	418.5	294.4
Effect of movement in exchange rates	0.5	(2.3)
Cash and cash equivalents at 30 June	418.2	358.1

For the six months ended 30 June 2019, the analysis of the cash flow statement of the Group shows that the profitability and operating cash flow of the Group remains healthy and strong. The ratio of cash flow from operating activities to net income was 115.9% (RM171.4 million / RM147.9 million). The ratio indicates the ability of the Group to generate sufficient positive cash flow to maintain and grow its operation. It is worth to note that for the current financial period under review, the group has increased its fixed income investment (classified as loans and receivable) by RM75.5 million to RM1,426.6 million from RM1,351.1 million as at 31 December 2018, the increase was mainly due to renewal or new placement of fixed deposits for more than 3 months.

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

### Review of statement of cash flow (continued)

The Group had relatively low spending on plant and equipment as its core business of underwriting of general insurance. The Group's capital expenditure for the current financial period under review was RM1.6 million. The Group's main investing activities are in information technology and purchase of computer equipment.

The Group's balance sheet does not carry any debts other than insurance contract liabilities which increased by RM77.9 million to RM1,936.9 million for the six months period ended 30 June 2019. The Group had generated sufficient cash flow to pay a second interim dividend of 42.0 sen per share amounting to RM167.3 million on 27 February 2019 in respect of the financial year ended 31 December 2018.

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

	Current Year Quarter Ended 30.06.2019	Immediate Preceding Quarter Ended 31.03.2019	Changes	
			Amount	% / ppt
Gross earned premiums (RM'mil)	368.0	358.2	9.8	2.7%
Investment income (RM'mil)	18.9	34.5	(15.6)	(45.2)%
<b>Total revenue (RM'mil)</b>	<b>386.9</b>	<b>392.7</b>	<b>(5.8)</b>	<b>(1.5)%</b>
Operating profit (RM'mil)	92.4	94.9	(2.5)	(2.6)%
Profit before tax (RM'mil)	92.6	95.4	(2.8)	(2.9)%
Profit attributable to owners of the Company (RM'mil)	70.8	77.2	(6.4)	(8.3)%
Net return on equity (%)	3.4	3.9	-	(0.5) ppt
Earnings per share (sen)	17.77	19.37	(1.6)	(8.3)%
General insurance gross written premiums (RM'mil)	366.6	460.9	(94.3)	(20.5)%
General insurance net earned premiums (RM'mil)	252.0	235.6	16.4	7.0%
General insurance underwriting profit (RM'mil)	73.0	59.6	13.4	22.5%
General insurance claims incurred ratio (%)	44.9	47.4	-	(2.5) ppt
General insurance management expenses ratio (%)	19.0	22.0	-	(3.0) ppt
General insurance commission ratio (%)	7.1	5.2	-	1.9 ppt
General insurance combined ratio (%)	71.0	74.6	-	(3.6) ppt

For the second quarter ended 30 June 2019, the Group recorded a lower profit before tax of RM92.6 million as compared to RM95.4 million in the preceding quarter ended 31 March 2019. The decrease in the profit before tax for the said quarter was mainly due to lower investment income received.

### B3. CURRENT YEAR PROSPECTS

- a) 2019 continues to be a challenging year for the Malaysian general insurance industry amidst the liberalisation process and the inert economic environment. We expect that the claims ratio may continue to deteriorate in the light of keen competition in pricing and the fight for market share. Lonpac will, however, continue to exercise prudence in risk selection and claims management in its quest to be the premier player in the market. More innovative products will be launched for the preferred portfolio while under-performing portfolio will be subjected to tightened underwriting review. Lonpac will ensure that its underwriting performance will not be compromised by its business expansion strategy.

The recent easing of tensions in global trade disputes, the intensified efforts by the government to attract FDI and stimulate domestic investments and the resumption of some government infrastructure works may prove to be good news to the insurance industry after a gloomy period of stagnation. We are confident that LPI Group is ready to reap any benefits from the improved economic activities in the second half year of 2019.

- 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 Period		Cumulative Period	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	<b><u>30.06.2019</u></b>	<b><u>30.06.2018</u></b>	<b><u>30.06.2019</u></b>	<b><u>30.06.2018</u></b>
Profit before tax	92,625	86,877	188,069	178,455
Income tax:				
Current tax charge	21,382	21,290	40,331	40,662
Deferred taxation	461	(151)	(202)	(445)
Total tax expense	21,843	21,139	40,129	40,217
Effective tax rate on current tax charge	24%	24%	21%	23%

The effective tax rate on the current tax charge of the Group for the current financial period ended 30 June 2019 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 8 July 2019, 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 2019.

**B9. DISCLOSURE OF DERIVATIVES**

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 June 2019. – 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 2019.

**B11. CHANGES IN MATERIAL LITIGATION**

There were no pending material litigations since the last annual balance sheet date up to 8 July 2019, 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	27.00

iii) The previous corresponding period:

	<u>Net per share</u> <u>(sen)</u>
• Single tier dividend	26.00

iv) The date payable: 8 August 2019.

v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 31 July 2019.

b) The total dividend for the 6 months ended 30 June 2019: 27.00 sen single tier dividend per share.

### B13. EARNINGS PER SHARE

#### a) Basic earnings per share

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <b><u>30.06.2019</u></b>	Preceding Year Corresponding Quarter Ended <b><u>30.06.2018</u></b>	Current Year To Date Ended <b><u>30.06.2019</u></b>	Preceding Year Corresponding Period Ended <b><u>30.06.2018</u></b>
Profit after tax (RM'000)	70,782	65,738	147,940	138,238
Weighted average no. of ordinary shares in issue (‘000)	398,383	398,383	398,383	398,383
Basic earnings per share (sen)	17.77	16.50	37.14	34.70

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



B14. PROFIT FOR THE PERIOD

	Individual Period		Cumulative Period	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	<u>30.06.2019</u>	<u>30.06.2018</u>	<u>30.06.2019</u>	<u>30.06.2018</u>
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period is arrived at after charging:</b>				
Finance costs	244	-	434	4
Depreciation of plant and equipment (N1)	1,370	881	2,210	1,731
Depreciation of right-of-use assets (N1)	1,793	-	3,584	-
Net impairment loss on insurance receivables	-	339	2,597	602
Net impairment loss on investment carried at amortised cost	-	4	-	5
Loss on disposal of unquoted investment (N3)	-	-	-	68
<b>and after crediting:</b>				
Interest income (N2)	16,577	16,699	32,547	31,959
Dividend income (N2)	2,139	496	20,436	16,216
Rental income (N2)	212	212	423	501
Net reversal of impairment loss on insurance receivables	918	-	-	-
Net reversal of impairment loss on investments carried at amortised cost	3	-	6	-
Gain on disposal of unquoted investment (N3)	-	1	-	-
Net foreign exchange gain (N1)	110	147	115	95

#### B14. PROFIT FOR THE PERIOD (CONTINUED)

Other than the items above which have been included in the Condensed Consolidated Statement of Profit or Loss, there were no impairment of assets, gain or loss on derivatives and exceptional items for the current financial period ended 30 June 2019.

(N1) Depreciation of plant and equipment, depreciation of right-of-use assets and net foreign exchange gain/(loss) 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/(loss) on disposal of unquoted investment is reported under item realised gains and losses in the Condensed Consolidated Statement of Profit or Loss.

#### B15. ADDITIONAL DISCLOSURE INFORMATION

##### Trade receivables

The credit terms of trade receivables granted to related parties are no different from those granted to non-related parties.

A trade receivable is deemed past due when the counterparty has failed to make payment when the outstanding amount are contractually due.

Age analysis of trade receivables past due but not impaired:

	<b>&lt;30 days RM'000</b>	<b>31 - 60 days RM'000</b>	<b>61 - 90 days RM'000</b>	<b>91 - 180 days RM'000</b>	<b>&gt;180 days RM'000</b>	<b>Total RM'000</b>
<b>30.06.2019</b>						
Insurance						
receivables	12,211	8,666	13,942	1,696	-	36,515
<b>31.12.2018</b>						
Insurance						
receivables	4,681	2,815	1,377	-	-	8,873

The past due trade receivables above are collectable.

The following table show reconciliations from the opening balance to the closing balance of the allowance for impairment by class of financial instrument.

B15. ADDITIONAL DISCLOSURE INFORMATION (CONTINUED)

Trade receivables (continued)

RM'000

	30.06.2019				31.12.2018			
	12-months ECL Due from Corporate bonds and sukuk	12-months ECL Due from reinsurers and cedants	Lifetime ECL Due premiums including agents and brokers and co-insurers	Total	12-months ECL Due from Corporate bonds and sukuk	12-months ECL Due from reinsurers and cedants	Lifetime ECL Due premiums including agents and brokers and co-insurers	Total
As at 1 January 2019 under MFRS 9/ 1 January 2018 under MFRS 139	22	101	2,056	2,179	-	-	38	38
Changes on initial application of MFRS 9	-	-	-	-	13	80	792	885
As at 1 January 2019/ 1 January 2018 under MFRS 9	22	101	2,056	2,179	13	80	830	923
Net remeasurement of allowance for impairment	(6)	(58)	2,655	2,591	9	21	1,264	1,294
Bad debts written off against impairment allowance	-	-	-	-	-	-	(38)	(38)
As at 30 June 2019/ 31 December 2018	16	43	4,711	4,770	22	101	2,056	2,179

B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

The audit report of the Group's preceding annual financial statements was not qualified.