LPI CAPITAL BHD

Condensed Consolidated Statement of Profit or Loss for the Quarter Ended 30 June 2018 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **30.06.2018** RM'000	Preceding Year Corresponding Quarter Ended **30.06.2017** RM'000	Current Year To Date Ended **30.06.2018** RM'000	Preceding Year Corresponding Period Ended **30.06.2017** RM'000
Operating revenue	353,048	352,710	734,046	700,350
Gross written premiums	303,777	307,218	787,022	722,873
Change in unearned premiums provision	31,864	29,519	(101,652)	(67,917)
Gross earned premiums	335,641	336,737	685,370	654,956
Gross written premiums ceded to reinsurers	(81,880)	(99,708)	(287,123)	(278,303)
Change in unearned premiums provision	(28,626)	(24,551)	43,287	14,954
Premiums ceded to reinsurers	(110,506)	(124,259)	(243,836)	(263,349)
Net earned premiums	225,135	212,478	441,534	391,607
Investment income	17,407	15,973	48,676	45,394
Realised gains	1	2,472	-	2,811
Commission income	25,575	26,712	56,677	57,062
Other operating income	704	1,240	3,424	2,071
Other income	43,687	46,397	108,777	107,338
Gross claims paid	(102,226)	(124,642)	(242,090)	(225,836)
Claims ceded to reinsurers	26,063	49,466	73,238	78,756
Gross change in contract liabilities	(110,867)	9,696	(105,980)	(5,605)
Change in contract liabilities ceded to reinsurers	94,807	(18,887)	80,718	(3,048)
Net claims incurred	(92,223)	(84,367)	(194,114)	(155,733)
Realised losses	-	-	(68)	-
Fair value losses	(405)	-	(1,447)	-
Commission expense	(39,313)	(38,383)	(78,282)	(73,831)
Management expenses	(50,228)	(47,424)	(98,814)	(92,904)
Impairment loss on insurance receivables	(339)	-	(602)	-
Impairment loss on investment carried at amortised cost	(4)	-	(5)	-
Other expenses	(90,289)	(85,807)	(179,218)	(166,735)
Operating profit	86,310	88,701	176,979	176,477
Finance costs	-	-	(4)	-
Share of profit after tax of equity accounted associated company	567	515	1,480	1,533
Profit before tax	86,877	89,216	178,455	178,010
Tax expense	(21,139)	(21,152)	(40,217)	(39,383)
Profit for the period	65,738	68,064	138,238	138,627
Profit attributable to:				
Owners of the Company	65,738	68,064	138,238	138,627
Earnings per ordinary share (sen)				
- Basic	16.50	17.09	34.70	34.80
- 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 2017.**

LPI CAPITAL BHD

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter Ended 30 June 2018 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **30.06.2018** RM'000	Preceding Year Corresponding Quarter Ended **30.06.2017** RM'000	Current Year To Date Ended **30.06.2018** RM'000	Preceding Year Corresponding Period Ended **30.06.2017** RM'000
Profit for the period	65,738	68,064	138,238	138,627
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	(212)	(3,315)	(3,091)	(1,506)
Net gains on investments in available-for-sale assets	-	19,636	-	28,476
Net gains on investments in available-for-sale assets reclassified to profit or loss on disposal	-	(2,513)	-	(2,513)
Income tax relating to these items	-	217	-	120
Items that will not be reclassified to profit or loss				
Net (losses)/gains on investments in equity instrument designated at fair value through other comprehensive income	(28,159)	-	113,772	-
Income tax relating to these items	21	-	57	-
Total other comprehensive (loss)/income for the period , net of tax	(28,350)	14,025	110,738	24,577
Total comprehensive income for the period attributable to owners of the Company	37,388	82,089	248,976	163,204

Note : The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

LPI CAPITAL BHD

Condensed Consolidated Statement of Financial Position As At 30 June 2018 - Unaudited

	As At **30.06.2018**	As At **31.12.2017**
	RM'000	RM'000
Assets		
Plant and equipment	17,050	17,138
Investment properties	26,550	27,270
Investment in associated company	27,958	26,877
Other investments	1,293,523	1,146,699
Fair value through other comprehensive income	1,029,216	-
Fair value through profit or loss	169,628	-
Amortised cost	94,679	-
Available-for-sale	-	927,356
Held-to-maturity	-	219,343
Reinsurance assets	815,565	692,791
Loans and receivables, excluding insurance receivables	1,409,961	1,419,352
Insurance receivables	174,892	156,379
Deferred acquisition costs	35,307	33,650
Cash and cash equivalents	358,135	294,459
Total assets	4,158,941	3,814,615
Equity		
Share capital	398,383	338,244
Reserves	1,624,274	1,582,667
Total equity	2,022,657	1,920,911
Liabilities		
Insurance contract liabilities	1,840,527	1,636,422
Deferred tax liabilities	1,095	1,001
Finance lease liabilities	-	899
Insurance payables	160,004	121,894
Other payables	109,116	110,817
Tax payables	25,542	22,671
Total liabilities	2,136,284	1,893,704
Total equity and liabilities	4,158,941	3,814,615

Note : The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

LPI CAPITAL BHD

Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 June 2018 - Unaudited

	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
<u>6 Months Period Ended 30 June 2018</u>					
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
Profit for the period	-	-	-	138,238	138,238
Other comprehensive (loss)/income for the period	-	(3,091)	113,829	-	110,738
Total comprehensive (loss)/income for the period	-	(3,091)	113,829	138,238	248,976
Distribution to owners of the Company					
- Dividends to owners of the Company	-	-	-	(149,394)	(149,394)
- Pursuant to Bonus Issue	60,139			(60,139)	-
- Expenses for issuance of equity securities	-	-	-	(157)	(157)
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

Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 June 2018 - Unaudited (continued)

	Note	← 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
6 Months Period Ended 30 June 2017							
At 1 January 2017		331,986	6,258	27,073	713,601	758,398	1,837,316
Profit for the period		-	-	-	-	138,627	138,627
Other comprehensive (loss)/income for the period		-	-	(1,506)	26,083	-	24,577
Total comprehensive (loss)/income for the period		-	-	(1,506)	26,083	138,627	163,204
Distribution to owners of the Company							
- Dividends to owners of the Company		-	-	-	-	(182,592)	(182,592)
Total transaction with owners of the Company		-	-	-	-	(182,592)	(182,592)
Transfer in accordance with Section 618(2) of the Companies Act 2016	(b)	6,258	(6,258)	-	-	-	-
At 30 June 2017		338,244	-	25,567	739,684	714,433	1,817,928

Notes : (a) The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

(b) Pursuant to the Companies Act 2016 which came into effect on 31 January 2017, the concept of share premium will no longer be applicable and the amount stand to the credit of LPI's share premium balance of RM6,258,124 shall be consolidated as part of LPI's share capital. The amount of RM6,258,124 is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of the Act.)

LPI CAPITAL BHD

Condensed Consolidated Statement of Cash Flow
for the Period Ended 30 June 2018 - Unaudited

	Current Year To Date Ended **30.06.2018** RM'000	Preceding Year Corresponding Period Ended **30.06.2017** RM'000
Operating activities		
Profit before tax	178,455	178,010
Investment income	(48,676)	(45,394)
Realised losses/(gains) recorded in profit or loss	68	(2,811)
Fair value losses recorded in profit or loss	1,447	-
Share of profit of equity accounted associated company	(1,480)	(1,533)
Purchase of available-for-sale financial assets	-	(280)
Proceeds from disposal of available-for-sale financial assets	-	12,416
Purchase of held-to-maturity financial assets	-	(25,000)
Maturity of held-to-maturity financial assets	-	29,500
Purchase of financial assets carried at fair value through profit or loss	(17,522)	-
Purchase of financial assets carried at amortised cost	(19,650)	-
Maturity of financial assets carried at amortised cost	5,900	-
Interest on finance lease liabilities	4	-
Non-cash items:		
Depreciation of plant and equipment	1,731	1,489
Fixed assets written off	-	3
Unrealised foreign exchange (gain)/loss	(374)	253
Impairment loss on insurance receivables	602	-
Impairment loss on investment carried at amortised cost	5	-
Changes in working capital:		
Decrease/(Increase) in loans and receivables	8,039	(20,953)
Increase in reinsurance assets	(124,005)	(11,906)
Increase in insurance receivables	(20,177)	(29,105)
Increase in deferred acquisition costs	(1,678)	(2,950)
Increase in insurance contract liabilities	207,633	73,521
Increase in insurance payables	38,171	38,590
(Decrease)/Increase in other payables	(1,281)	10,302
Cash generated from operating activities	207,212	204,152
Dividend income received	16,216	15,265
Interest income received	32,007	29,658
Rental income on investment property received	501	483
Income tax paid	(37,786)	(33,446)
Net cash flows generated from operating activities	218,150	216,112

LPI CAPITAL BHD

Condensed Consolidated Statement of Cash Flow
for the Period Ended 30 June 2018 - Unaudited (continued)

	Current Year To Date Ended **30.06.2018** RM'000	Preceding Year Corresponding Period Ended **30.06.2017** RM'000
Investing activities		
Proceeds from disposal of plant and equipment	-	324
Purchase of plant and equipment	(1,726)	(2,514)
Net cash flows used in investing activities	(1,726)	(2,190)
Financing activities		
Expenses for issuance of equity securities	(157)	-
Dividends paid to owners of the Company	(149,394)	(182,592)
Repayment of finance lease liabilities	(879)	-
Net cash flows used in financing activities	(150,430)	(182,592)
Net increase in cash and cash equivalents	65,994	31,330
Cash and cash equivalents at 1 January	294,459	332,517
Effect of movement in exchange rates	(2,318)	(616)
Cash and cash equivalents at 30 June	358,135	363,231

Note : **The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.**

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 2017.

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 2017, except for the adoption of the following:

MFRSs/Amendments/Interpretations	**Effective date**
MFRS 9, *Financial Instruments (2014)*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers - Clarifications to MFRS 15, Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 , Insurance Contracts*	1 January 2018
Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Investment Properties – Transfers of Investment Property*	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018

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 9, *Financial Instruments*

The Group has adopted MFRS 9, *Financial Instruments* issued in July 2014 with a date of initial application on 1 January 2018.

The key changes to the Group's accounting policies resulting from its adoption of MFRS 9 are summarised below.

(i) Classification of financial assets and financial liabilities

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and

- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This requires considerable judgement about how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. Under MFRS 9, credit losses are recognised earlier than under MFRS 139.

The new impairment model is applied to financial assets measured at AC or FVOCI, except for investments in equity instruments.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- *Lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, the Group has adopted lifetime ECL measurements for insurance receivables due to the expected lifetime period of insurance receivables are generally less than 12 months.

The calculation of ECL requires the modelling of three parameters that define:

- *Exposure at Default (EAD)*: The Group's gross credit exposure to the counterparty at the time of default;

- *Probability of Default (PD)*: The likelihood of the counterparty defaulting on its contractual obligation to the Group; and

- *Loss Given Default (LGD)*: The amount or the percentage of an outstanding claim on the counterparty that is not likely to be recovered in the event of a default.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iii) Transition upon the adoption of MFRS 9

Changes in accounting policies resulting from the adoption of MFRS 9 have been applied retrospectively, except as described below.

i. Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as of 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented for 2018 under MFRS 9.

ii. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

iii. If a debt security had low credit risk at the date of initial application of MFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) Effect of initial application

(1) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table and the accompanying notes below shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's financial assets as at 1 January 2018.

Group Financial assets	**Notes**	**Original classification under MFRS 139**	**Original carrying amount RM'000**	**New classification under MFRS 9**	**New carrying amount RM'000**
Investment in equity instruments	*(a)*	AFS	915,544	FVOCI	915,544
Other investments	*(b)*	AFS	11,812	FVTPL	12,892
Investment in debt securities	*(c)*	HTM	81,190	AC	81,177
Investment in debt securities	*(d)*	HTM	138,153	FVTPL	140,898
Reinsurance assets		L&R	368,354	AC	368,354
Loans and receivables, excluding insurance receivables		L&R	1,419,352	AC	1,419,352
Insurance receivables		L&R	156,379	AC	155,507
Cash and cash equivalents		L&R	243,027	AC	243,027
Liquid investment classified as cash and cash equivalents	*(e)*	L&R	51,432	FVTPL	51,432
			3,385,243		3,388,183

There were no changes to the Group's classification and measurement of the financial liabilities on the adoption of MFRS 9.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

(a) Equity investments with a fair value of RM915,544,000 were classified as available-for-sale. On the adoption of MFRS 9, the Group has elected to designate this investment that are held for long-term strategic purpose to be measured at FVOCI;

(b) Unit trust, real estate investment trusts (REITs), exchange-traded fund (ETF), equity securities (other than equity investment mentioned in (a) above) with a fair value of RM11,812,000 were classified as available-for-sale. On the adoption of MFRS 9, the Group has designated these investments that are managed on fair value basis to be measured at FVTPL and the fair value was remeasured at RM12,892,000 resulted from the recognition of unrealised gains for unquoted equity instrument;

(c) Debt securities classified as held-to-maturity with carrying amount of RM81,190,000 that are held to collect contractual cash flows before the adoption of MFRS 9. On the adoption of MFRS 9, the Group has designated these debts securities to be measured at amortised cost and subject to impairment test under MFRS 9 with "expected credit loss" model;

(d) Debt securities classified as held-to-maturity with carrying amount of RM138,153,000 that are held to collect contractual cash flows before the adoption of MFRS 9. On the adoption of MFRS 9, these debt securities have not passed the solely payments of principal and interest (SPPI) test. As such, the Group has designated this investment in debt securities to be measured at FVTPL at the fair value of RM140,898,000; and

(e) Liquid investment was classified as loans and receivables with carrying amount of RM51,432,000. On the adoption of MFRS 9, the liquid investment has not passed the SPPI test. As such, the Group has designated this investment to be measured at FVTPL.

Consequently, for financial assets designated as measured at FVTPL, all fair value gains and losses were reported in profit or loss. For financial assets measured at FVOCI, all fair value gains and losses were reported in Other Comprehensive Income, no impairment losses were recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for these financial assets.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

The following table reconciles the carrying amounts under MFRS 139 to the carrying amounts under MFRS 9 on the transition to MFRS 9 on 1 January 2018:

Group Financial assets	**MFRS 139 carrying amount At 31.12.2017 RM'000**	**Reclassification / Remeasurement At 1.1.2018 RM'000**	**MFRS 9 carrying amount At 1.1.2018 RM'000**
Available-for-sale (AFS)			
Brought forward	927,356		
Reclassification to FVOCI		(915,544)	
Reclassification to FVTPL		(11,812)	
Carried forward			-
Held-to-maturity (HTM)			
Brought forward	219,343		
Reclassification to AC		(81,190)	
Reclassification to FVTPL		(138,153)	
Carried forward			-
Loans and receivables (L&R)			
Brought forward	2,238,544		
Reclassification to AC		(2,187,112)	
Reclassification to FVTPL		(51,432)	
Carried forward			-
FVOCI			
Brought forward	-		
Reclassification from AFS		915,544	
Carried forward			915,544
FVTPL			
Brought forward	-		
Reclassification from AFS		11,812	
Reclassification from HTM		138,153	
Reclassification from L&R		51,432	
Remeasurement:			
- Fair value gains on unquoted share		1,080	
- Fair value gains on debt securities		2,745	
Carried forward			205,222

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

Group Financial assets	**MFRS 139 carrying amount At 31.12.2017 RM'000**	**Reclassification / Remeasurement At 1.1.2018 RM'000**	**MFRS 9 carrying amount At 1.1.2018 RM'000**
Amortised Cost (AC)			
Brought forward	-		
Reclassification from HTM		81,190	
Reclassification from L&R		2,187,112	
Remeasurement:			
- Allowance for ECL		(885)	
Carried forward			2,267,417
Total	**3,385,243**	**2,940**	**3,388,183**

(2) Impairment of financial assets

The following table reconciles:

- The closing impairment allowance for financial assets in accordance with MFRS 139 as at 31 December 2017; to
- The opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

	MFRS 139 Allowance At 31.12.2017 RM'000	**Remeasurement RM'000**	**MFRS 9 Allowance At 1.1.2018 RM'000**
Held-to-maturity investment in debt securities under MFRS 139 reclassified to amortised cost under MFRS 9	-	13	13
Insurance receivables measured at amortised cost under MFRS 139 and MFRS 9	38	872	910
	38	885	923

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) Effect of initial application (continued)

(3) Effect on fair value reserve and retained earnings

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening fair value reserve and retained earnings. There is no impact on other components of equity.

	Impact of adopting MFRS 9 At 1.1.2018 RM'000
Fair value reserve	
Closing balance under MFRS 139 at 31 December 2017	760,426
Reclassification of fair value reserve to retained earnings for financial assets reclassified from AFS to FVTPL	(2,102)
Deferred tax liabilities	430
Opening balance under MFRS 9 at 1 January 2018	758,754
Retained earnings	
Closing balance under MFRS 139 at 31 December 2017	799,964
Reclassification from fair value reserve for financial assets reclassified from AFS to FVTPL	2,102
Recognition of fair value gains for unquoted share reclassified from AFS to FVTPL	1,080
Deferred tax liabilities	(689)
Impact at 1 January 2018	2,493
Recognition of fair value gains for financial assets reclassified from HTM to FVTPL	2,745
Deferred tax liabilities	(571)
Impact at 1 January 2018	2,174
Recognition of expected credit losses under MFRS 9	(885)
Deferred tax assets	211
Impact at 1 January 2018	(674)
Opening balance under MFRS 9 at 1 January 2018	803,957

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 1st Quarter and 3rd Quarter.

A4. 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 June 2018, except for the full repayment of the finance lease liabilities of RM899,000.

A5. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2018.

A6. 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 six (6) months ended 30 June 2018, the Company increased its issued and paid up ordinary share capital from 331,985,808 to 398,382,753 by way of issuance of 66,396,945 new ordinary shares ("LPI Shares") on 11 April 2018 pursuant to the approved proposed Bonus Issue by the shareholders at an Extraordinary General Meeting held on 27 March 2018. The new LPI Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 12 April 2018.

A7. DIVIDEND PAID

In the current interim period ended 30 June 2018, the Company paid a second interim single tier dividend of 45.00 sen per ordinary share amounting to RM149,393,614 in respect of the financial year ended 31 December 2017 on 6 February 2018.

A8. 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

A8. OPERATING SEGMENT (CONTINUED)

Business segments (continued)

Segment reporting:

RM'000	6 Months Ended					
	General insurance		Investment holding		Total	
	2018	2017	2018	2017	2018	2017
External revenue	716,207	682,196	17,839	18,154	734,046	700,350
Inter-segment revenue	-	-	130,000	110,000	130,000	110,000
Segment profit before tax	164,387	161,298	144,068	126,712	308,455	288,010
Segment assets	2,995,816	2,706,518	1,363,125	1,257,875	4,358,941	3,964,393
Segment liabilities	2,133,928	1,944,306	2,356	2,159	2,136,284	1,946,465

i) Reconciliation of reportable segment profit:

RM'000	6 Months Ended	
	2018	**2017**
Total profit for reportable segments	308,455	288,010
Elimination of inter-segment profit	(130,000)	(110,000)
Consolidated profit before tax	178,455	178,010

ii) Reconciliation of reportable segment assets:

RM'000	6 Months Ended	
	2018	**2017**
Total assets for reportable segments	4,358,941	3,964,393
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	4,158,941	3,764,393

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 and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

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.

30.06.2018	**Fair value of financial instruments carried at fair value**				**Fair value of financial instruments not carried at fair value**					
RM'000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
Financial assets										
Fair value through other comprehensive income										
- Quoted share	1,029,216	-	-	1,029,216	-	-	-	-	1,029,216	1,029,216
Fair value through profit or loss										
- Unit trust	5,772	-	-	5,772	-	-	-	-	5,772	5,772
- Real estate investment trusts ("REITs")	2,469	-	-	2,469	-	-	-	-	2,469	2,469
- Exchange-traded fund ("ETF")	578	-	-	578	-	-	-	-	578	578
- Quoted shares	3,758	-	-	3,758	-	-	-	-	3,758	3,758
- Unquoted share	-	-	1,328	1,328	-	-	-	-	1,328	1,328
- Corporate bonds and Sukuk	-	155,723	-	155,723	-	-	-	-	155,723	155,723
Amortised cost										
- Malaysian government guaranteed loans	-	-	-	-	-	40,211	-	40,211	40,211	40,044
- Corporate bonds and Sukuk	-	-	-	-	-	54,475	-	54,475	54,475	54,635
	1,041,793	155,723	1,328	1,198,844	-	94,686	-	94,686	1,293,530	1,293,523

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

31.12.2017	**Fair value of financial instruments carried at fair value**				**Fair value of financial instruments not carried at fair value**					
RM'000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
Financial assets										
Available-for-sale										
- Unit trust	5,976	-	-	5,976	-	-	-	-	5,976	5,976
- Real estate investment trusts ("REITs")	978	-	-	978	-	-	-	-	978	978
- Exchange-traded fund ("ETF")	631	-	-	631	-	-	-	-	631	631
- Quoted shares	919,536	-	-	919,536	-	-	-	-	919,536	919,536
Held-to-maturity										
- Malaysian government guaranteed loans	-	-	-	-	-	40,344	-	40,344	40,344	40,055
- Corporate bonds and Sukuk	-	-	-	-	-	181,862	-	181,862	181,862	179,288
	927,121	-	-	927,121	-	222,206	-	222,206	1,149,327	1,146,464
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(899)	(899)	(899)	(899)

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 2018 (30.06.2017: no transfer in either directions).

Level 3 fair value

The following table shows the valuation techniques used for 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

Type	**Description of valuation technique and inputs used**
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.

Financial instruments not carried at fair value

Type	**Description of valuation technique and inputs used**
Finance lease liabilities	Discounted cash flow using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

A13. CAPITAL AND OTHER COMMITMENTS

RM'000	**30.06.2018**	**31.12.2017**
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	11,575	11,724

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Companies in which a Director has substantial financial interest	
RM'000	Current Year To Date Ended **30.06.2018**	Preceding Year Corresponding Period Ended **30.06.2017**
Income earned:		
Premium income	26,602	25,792
Dividend income	15,230	14,254
Fixed deposits income	2,781	2,948
Corporate bonds and sukuk income	1,610	1,811
	46,223	44,805
Expenditure incurred:		
Rental paid	(1,458)	(1,464)
Insurance commission	(24,770)	(22,938)
Stock broking commission	-	(37)
Corporate advisory fees	(86)	-
	(26,314)	(24,439)
Other transaction:		
Purchase of corporate bonds and sukuk	(10,000)	(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 period to date

	Individual Period		Changes		Cumulative Period		Changes	
RM'mil	Current Year Quarter Ended 30.06.2018	Preceding Year Corresponding Quarter Ended 30.06.2017	Amount	% / ppt (*)	Current Year To Date Ended 30.06.2018	Preceding Year Corresponding Period Ended 30.06.2017	Amount	% / ppt (*)
Revenue by segments								
General insurance segment	351.3	350.6	0.7	0.2%	716.2	682.2	34.0	5.0%
Gross earned premiums	335.6	336.7	(1.1)	(0.3)%	685.4	655.0	30.4	4.6%
Investment income	15.7	13.9	1.8	12.9%	30.8	27.2	3.6	13.2%
Investment holding segment								
Investment income	1.7	2.1	(0.4)	(19.0)%	17.8	18.2	(0.4)	(2.2)%
Total revenue	353.0	352.7	0.3	0.1%	734.0	700.4	33.6	4.8%
Revenue by geographical locations								
Malaysia	337.2	334.5	2.7	0.8%	701.9	663.1	38.8	5.9%
Singapore	15.8	18.2	(2.4)	(13.2)%	32.1	37.3	(5.2)	(13.9)%
Total revenue	353.0	352.7	0.3	0.1%	734.0	700.4	33.6	4.8%
Operating profit	86.3	88.7	(2.4)	(2.7)%	177.0	176.5	0.5	0.3%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended 30.06.2018	Preceding Year Corresponding Quarter Ended 30.06.2017	Amount	% / ppt (*)	Current Year To Date Ended 30.06.2018	Preceding Year Corresponding Period Ended 30.06.2017	Amount	% / ppt (*)
Profit before tax by segments								
General insurance (RM'mil)	87.1	87.0	0.1	0.1%	164.4	161.1	3.3	2.0%
Investment holding (RM'mil)	(0.2)	2.2	(2.4)	(109.1)%	14.1	16.9	(2.8)	(16.6)%
Total profit before tax	86.9	89.2	(2.3)	(2.6)%	178.5	178.0	0.5	0.3%
Profit before tax by geographical locations								
Malaysia (RM'mil)	84.2	86.2	(2.0)	(2.3)%	175.8	172.2	3.6	2.1%
Singapore (RM'mil)	2.1	2.5	(0.4)	(16.0)%	1.2	4.3	(3.1)	(72.1)%
Cambodia (RM'mil)	0.6	0.5	0.1	20.0%	1.5	1.5	-	-
Total profit before tax	86.9	89.2	(2.3)	(2.6)%	178.5	178.0	0.5	0.3%
Profit attributable to owners of the Company (RM'mil)	65.7	68.1	(2.4)	(3.5)%	138.2	138.6	(0.4)	(0.3)%
Net return on equity (%)	3.3	3.7	-	(0.4) ppt	6.8	7.6	-	(0.8) ppt
Earnings per share (sen)	16.50	17.09	(0.59)	(3.5)%	34.70	34.80	(0.1)	(0.3)%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended 30.06.2018	Preceding Year Corresponding Quarter Ended 30.06.2017	Amount	% / ppt (*)	Current Year To Date Ended 30.06.2018	Preceding Year Corresponding Period Ended 30.06.2017	Amount	% / ppt (*)
General insurance gross written premiums (RM'mil)	303.8	307.2	(3.4)	(1.1)%	787.0	722.9	64.1	8.9%
General insurance net earned premiums (RM'mil)	225.1	212.5	12.6	5.9%	441.5	391.6	49.9	12.7%
General insurance underwriting profit (RM'mil)	70.6	70.6	-	-	130.2	129.0	1.2	0.9%
General insurance claims incurred ratio (%)	41.0	39.7	-	1.3 ppt	44.0	39.8	-	4.2 ppt
General insurance management expenses ratio (%)	21.6	21.6	-	-	21.7	23.0	-	(1.3) ppt
General insurance commission ratio (%)	6.1	5.5	-	0.6 ppt	4.9	4.3	-	0.6 ppt
General insurance combined ratio (%)	68.7	66.8	-	1.9 ppt	70.6	67.1	-	3.5 ppt

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 2: Underwriting results of general insurance for the 3 months period ended 30 June 2018:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Gross written premiums	133,158	133,876	74,322	72,230	11,735	18,760	84,562	82,352	303,777	307,218
Change in unearned premiums provision	10,077	7,099	1,200	786	2,648	2,695	17,939	18,939	31,864	29,519
Gross earned premiums	143,235	140,975	75,522	73,016	14,383	21,455	102,501	101,291	335,641	336,737
Gross written premiums ceded to reinsurers	(39,563)	(42,254)	(3,390)	(6,735)	(6,412)	(14,057)	(32,515)	(36,662)	(81,880)	(99,708)
Change in unearned premiums provision	(5,715)	(3,675)	(2,196)	(3,897)	(3,385)	(1,783)	(17,330)	(15,196)	(28,626)	(24,551)
Premiums ceded to reinsurers	(45,278)	(45,929)	(5,586)	(10,632)	(9,797)	(15,840)	(49,845)	(51,858)	(110,506)	(124,259)
Net earned premiums	97,957	95,046	69,936	62,384	4,586	5,615	52,656	49,433	225,135	212,478
Net claims incurred	(9,156)	(15,321)	(53,547)	(47,004)	(873)	(1,957)	(28,647)	(20,085)	(92,223)	(84,367)
Commission income	11,205	11,392	993	2,089	1,219	975	12,158	12,256	25,575	26,712
Commission expense	(17,137)	(16,021)	(6,947)	(6,939)	(1,092)	(1,169)	(14,137)	(14,254)	(39,313)	(38,383)
Net commission	(5,932)	(4,629)	(5,954)	(4,850)	127	(194)	(1,979)	(1,998)	(13,738)	(11,671)
Total out-go	(15,088)	(19,950)	(59,501)	(51,854)	(746)	(2,151)	(30,626)	(22,083)	(105,961)	(96,038)
Underwriting surplus before management expenses	82,869	75,096	10,435	10,530	3,840	3,464	22,030	27,350	119,174	116,440
Management expenses of the insurance fund									(48,588)	(45,847)
Underwriting surplus after management expenses									70,586	70,593
Net claims incurred ratio (%)	9.3	16.1	76.6	75.3	19.0	34.9	54.4	40.6	41.0	39.7

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 2: Underwriting results of general insurance for the financial period ended 30 June 2018:

	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
RM'000	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Gross written premiums	331,496	310,423	157,452	149,069	47,808	53,036	250,266	210,345	787,022	722,873
Change in unearned premiums provision	(40,151)	(39,844)	(7,795)	(2,202)	(11,290)	(11,231)	(42,416)	(14,640)	(101,652)	(67,917)
Gross earned premiums	291,345	270,579	149,657	146,867	36,518	41,805	207,850	195,705	685,370	654,956
Gross written premiums ceded to reinsurers	(122,347)	(116,585)	(7,183)	(13,750)	(37,083)	(43,634)	(120,510)	(104,334)	(287,123)	(278,303)
Change in unearned premiums provision	20,871	16,612	(5,873)	(8,920)	10,150	10,354	18,139	(3,092)	43,287	14,954
Premiums ceded to reinsurers	(101,476)	(99,973)	(13,056)	(22,670)	(26,933)	(33,280)	(102,371)	(107,426)	(243,836)	(263,349)
Net earned premiums	189,869	170,606	136,601	124,197	9,585	8,525	105,479	88,279	441,534	391,607
Net claims incurred	(26,595)	(29,783)	(110,083)	(85,601)	(1,540)	(2,722)	(55,896)	(37,627)	(194,114)	(155,733)
Commission income	23,037	22,055	1,942	4,466	3,377	3,134	28,321	27,407	56,677	57,062
Commission expense	(34,167)	(31,146)	(14,008)	(14,197)	(2,497)	(2,398)	(27,610)	(26,090)	(78,282)	(73,831)
Net commission	(11,130)	(9,091)	(12,066)	(9,731)	880	736	711	1,317	(21,605)	(16,769)
Total out-go	(37,725)	(38,874)	(122,149)	(95,332)	(660)	(1,986)	(55,185)	(36,310)	(215,719)	(172,502)
Underwriting surplus before management expenses	152,144	131,732	14,452	28,865	8,925	6,539	50,294	51,969	225,815	219,105
Management expenses of the insurance fund									(95,644)	(90,094)
Underwriting surplus after management expenses									130,171	129,011
Net claims incurred ratio (%)	14.0	17.5	80.6	68.9	16.1	31.9	53.0	42.6	44.0	39.8

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

<u>Revenue</u>

The revenue of the Group grew slightly by RM0.3 million to RM353.0 million from RM352.7 million in the second quarter of 2018, an increase of 0.1% as compared to the corresponding quarter last year. The increase was mainly driven by growth in investment income of 12.9% or RM1.8 million from its general insurance segment. Investment holding segment recorded lower revenue of RM1.7 million as compared to RM2.1 million in the corresponding quarter in 2017 due to lower dividend income received.

Despite the implementation of Phase 2 of the Liberalisation Framework effective from 1^{st} 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 for the six months ended 30 June 2018 grew by 4.8% or RM33.6 million to RM734.0 million from RM700.4 million in the corresponding period in 2017. The increase was mainly driven by growth in gross earned premium of 4.6% or RM30.4 million from its general insurance segment. This was the result of our organic growth as we continued to build market share with our diversified distribution channels especially strong agency network. The investment holding segment recorded lower revenue of RM17.8 million as compared to RM18.2 million in 2017 mainly due to lower interest 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 2018 decreased to RM86.9 million from RM89.2 million in the corresponding quarter in 2017. The decrease came from the investment holding segment, which recorded a decrease of 109.1% as compared to previous corresponding quarter, mainly due to the non-recurring gains of RM1.5 million from the sale of equity investment in 2017. Despite its net earned premium increased by 5.9% to RM225.1 million from RM212.5 million reported in the previous corresponding quarter, the general insurance segment recorded a marginally higher profit of RM87.1 million as compared to RM87.0 million previously while underwriting profit maintained at RM70.6 million due to higher claims incurred.

Profit before tax of the Group for the six months period ended 30 June 2018 grew by 0.3% or RM0.5 million to RM178.5 million from RM178.0 million in the corresponding period in 2017. The increase was contributed by profit from general insurance segment, which increased by 2.0% to RM164.4 million from RM161.1 million in the corresponding period in 2017. Underwriting profit for the current period under review rose by 0.9% to RM130.2 million from RM129.0 million previously, mainly contributed by a growth in net earned premium by 12.7% to RM441.5 million from RM391.6 million in the corresponding period in 2017. The investment holding segment recorded a lower profit before tax of RM14.1 million as compared to RM16.9 million in the corresponding period in 2017 mainly due to the non-recurring gains of RM1.5 million from the sale of equity investment in last year.

Business operation in Malaysia contributed 96.9% and 98.5% of the Group’s total profit before tax in the second quarter of 2018 and current period under review respectively.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 3: Other comprehensive income for current quarter and financial period to date

RM'mil	Individual Period		Cumulative Period	
	Current Year Quarter Ended 30.06.2018	Preceding Year Corresponding Quarter Ended 30.06.2017	Current Year To Date Ended 30.06.2018	Preceding Year Corresponding Period Ended 30.06.2017
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	(0.2)	(3.3)	(3.1)	(1.5)
Net gains on investments in available-for-sale assets	-	19.6	-	28.5
Net gains on investments in available-for-sale assets reclassified to profit or loss on disposal	-	(2.5)	-	(2.5)
Income tax relating to these items	-	0.2	-	0.1
Items that will not be reclassified to profit or loss				
Net (losses)/gains on investments in equity instrument designated at				
fair value through other comprehensive income	(28.2)	-	113.7	-
Income tax relating to these items	-	-	0.1	-
Total other comprehensive (loss)/income for the period, net of tax	(28.4)	14.0	110.7	24.6

The Group's total other comprehensive income for the six months ended 30 June 2018 increased substantially to RM110.7 million as compared to RM24.6 million in the corresponding period in 2017. The increase was mainly due to higher fair value gain on its investment in quoted equities, which was reclassified from available-for-sale assets to fair value through other comprehensive income upon adoption of MFRS 9.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 4: Review of assets and liabilities

RM'mil	As at 30.06.2018	As at 31.12.2017	Changes	
			Amount	%
Total assets	4,158.9	3,814.6	344.3	9.0
Total liabilities	2,136.2	1,893.7	242.5	12.8
Total equity	2,022.7	1,920.9	101.8	5.3

Total assets

As at 30 June 2018, the Group's total assets increased by RM344.3 million to RM4,158.9 million from RM3,814.6 million as at 31 December 2017. The increase was mainly attributed by the growth in investment in equities (reclassified as fair value through other comprehensive income under MFRS 9) and higher reinsurance assets. The general insurance segment accounted for 72.0% of the Group's total assets as at 30 June 2018.

Total liabilities

As at 30 June 2018, total liabilities of the Group increased to RM2,136.2 million from RM1,893.7 million as at 31 December 2017. This mainly consists of RM204.1 million increase in insurance contract liabilities and RM38.1 million insurance payables of its general insurance segment.

Total equity

The Group's total equity as at 30 June 2018 increased by 5.3% or RM101.8 million to RM2,022.7 million from RM1,920.9 million in 2017 after the payment of dividends amounting to RM149.4 million during the current financial period under review. The increase was mainly due to strong growth in the market value of its equity investment. As a result, the Group's fair value reserve rose by 14.8% or RM112.2 million to RM872.6 million from RM760.4 million as at 31 December 2017.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 5: Breakdown of Key Financial Information of Foreign Operation - Lonpac Insurance Bhd (Singapore Branch)

Exchange rate as at 30.06.2018 SGD1.00 = RM2.95	Functional Currency SGD'000	Reporting Currency RM'000
Gross earned premiums	10,251	30,240
Investment income	645	1,904
Total revenue	10,896	32,144
Profit before tax	398	1,174
Profit after tax	339	999
Total assets	91,286	269,293
Total liabilities	48,999	144,548

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 6: Review of statement of cash flow

RM'mil	Current Year To Date Ended 30.06.2018	Preceding Year Corresponding Period Ended 30.06.2017
Profit after tax	138.2	138.6
Net cash flows generated from operating activities	218.1	216.1
Net cash flows used in from investing activities	(1.7)	(2.2)
Net cash flows used in financing activities	(150.4)	(182.6)
Net increase in cash and cash equivalents	66.0	31.3
Cash and cash equivalents at 1 January	294.4	332.5
Effect of movement in exchange rates	(2.3)	(0.6)
Cash and cash equivalents at 30 June	358.1	363.2

LPI Group has held a strong reputation for its ability to generate sustainable profits and its wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac) is generally one of the most profitable general insurance company in Malaysia.

For the six months period ended 30 June 2018, 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 157.8% (RM218.1 million / RM138.2 million). The ratio of 157.8% indicates the ability of the Group to generate sufficient cash flow from its core operating activities to meet its obligations including insurance contracts and to pay dividend.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Review of statement of cash flow (continued)

The Group has relatively low spending on plant and equipment due to its core business are underwriting of general insurance. The Group's capital expenditure for the current financial period under review was RM1.7 million. The Group's main investing activities are investment on information technology and purchase of computer equipment.

The Group's balance sheet is not laden with debts other than insurance contract liabilities which increased by RM204.1 million to RM1,840.5 million for the six months period ended 30 June 2018. The Group has generated sufficient free cash flow to pay a second interim dividend of 45.0 sen per share amounting to RM149.4 million on 6 February 2018 in respect of the financial year ended 31 December 2017.

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

	Current Year Quarter Ended 30.06.2018	Immediate Preceding Quarter Ended 31.03.2018	Changes	
			Amount	% / ppt
Gross earned premiums (RM'mil)	335.6	349.7	(14.1)	(4.0)%
Investment income (RM'mil)	17.4	31.3	(13.9)	(44.4)%
Total revenue (RM'mil)	353.0	381.0	(28.0)	(7.3)%
Operating profit (RM'mil)	86.3	90.7	(4.4)	(4.9)%
Profit before tax (RM'mil)	86.9	91.6	(4.7)	(5.1)%
Profit attributable to owners of the Company (RM'mil)	65.7	72.5	(6.8)	(9.4)%
Net return on equity (%)	3.3	3.7	-	(0.4) ppt
Earnings per share (sen)	16.50	18.20	(1.7)	(9.3)%
General insurance gross written premiums (RM'mil)	303.8	483.2	(179.4)	(37.1)%
General insurance net earned premiums (RM'mil)	225.1	216.4	8.7	4.0%
General insurance underwriting profit (RM'mil)	70.6	59.6	11.0	18.5%
General insurance claims incurred ratio (%)	41.0	47.1	-	(6.1) ppt
General insurance management expenses ratio (%)	21.6	21.7	-	(0.1) ppt
General insurance commission ratio (%)	6.1	3.6	-	2.5 ppt
General insurance combined ratio (%)	68.7	72.4	-	(3.7) ppt

For the second quarter ended 30 June 2018, the Group recorded a lower profit before tax of RM86.9 million as compared to RM91.6 million in the preceding quarter ended 31 March 2018. The decrease in the profit before tax for the current quarter was mainly due to lower investment income received.

B3. CURRENT YEAR PROSPECTS

a) Despite that global economic environment has turned volatile recently arising from trade conflicts, the Malaysian economy has so far remained resilient and we are confident it will sustain in the second half year of 2018. LPI Group will continue to implement its prudent business strategies to further strengthen its market position and improve its performance.

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 Current Year Quarter Ended **30.06.2018**	 Preceding Year Corresponding Quarter Ended **30.06.2017**	Cumulative Period Current Year To Date Ended **30.06.2018**	 Preceding Year Corresponding Period Ended **30.06.2017**
Profit before tax	86,877	89,216	178,455	178,010
Income tax:				
Current tax charge	21,290	21,152	40,662	39,383
Deferred taxation	(151)	-	(445)	-
Total tax expense	21,139	21,152	40,217	39,383
Effective tax rate on current tax charge	24%	24%	23%	22%

The effective tax rate on the current tax charge of the Group for the current financial period ended 30 June 2018 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 2 July 2018, 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 2018.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 June 2018. – 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 2018.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 2 July 2018, 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:

	Net per share (sen)
• Single tier dividend	26.00

iii) The previous corresponding period:

	Net per share (sen)
• Single tier dividend	27.00

iv) The date payable: 1 August 2018.

v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 24 July 2018.

b) The total dividend for the 6 months ended 30 June 2018: 26.00 sen single tier dividend per share.

B13. EARNINGS PER SHARE

a) Basic earnings per share

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **30.06.2018**	Preceding Year Corresponding Quarter Ended **30.06.2017**	Current Year To Date Ended **30.06.2018**	Preceding Year Corresponding Period Ended **30.06.2017**
Profit after tax (RM'000)	65,738	68,064	138,238	138,627
Weighted average no. of ordinary shares in issue ('000)	398,383	398,383	398,383	398,383
Basic earnings per share (sen)	16.50	17.09	34.70	34.80

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 June 2018.

b) Diluted earnings per share. – Not Applicable.

B14. PROFIT FOR THE PERIOD

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **30.06.2018** RM'000	Preceding Year Corresponding Quarter Ended **30.06.2017** RM'000	Current Year To Date Ended **30.06.2018** RM'000	Preceding Year Corresponding Period Ended **30.06.2017** RM'000
Profit for the period is arrived at after charging:				
Finance costs	-	-	4	-
Depreciation of plant and equipment *(N1)*	881	799	1,731	1,489
Impairment loss on insurance receivables	339	-	602	-
Impairment loss on investment carried at amortised cost	4	-	5	-
and after crediting:				
Interest income *(N2)*	16,699	14,857	31,959	29,646
Dividend income *(N2)*	496	880	16,216	15,265
Rental income *(N2)*	212	236	501	483
Gain/(loss) on disposal of quoted and unquoted investment *(N3)*	1	2,513	(68)	2,513
Write back of impairment loss on insurance receivables *(N1)*	-	2,059	-	2,031
Net foreign exchange gain/(loss) *(N1)*	147	(179)	95	(376)

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 2018.

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

B14. PROFIT FOR THE PERIOD (CONTINUED)

(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 quoted and 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 counter party has failed to make payment when the outstanding amount are contractually due.

Age analysis of trade receivables past due but not impaired:

	<30 days RM'000	**31 - 60 days RM'000**	**61 - 90 days RM'000**	**91 - 180 days RM'000**	**>180 days RM'000**	**Total RM'000**
30.06.2018						
Insurance receivables	10,979	7,425	7,598	873	-	26,875
31.12.2017						
Insurance receivables	7,292	3,437	2,364	134	-	13,227

The past due trade receivables above are collectable.

B15. ADDITIONAL DISCLOSURE INFORMATION (CONTINUED)

The Group records impairment allowance for insurance receivables in a separate allowance for impairment loss account. A reconciliation of the allowance for impairment loss for insurance receivables is as follows:

	Insurance Receivables	
	30.06.2018	**31.12.2017**
	RM'000	RM'000
As at 31 December 2017 / 2016	38	7,640
Changes on initial application of MFRS 9	872	-
As at 1 January 2018 / 2017	910	7,640
Additional allowance during the period	602	485
Reversal of impairment loss	-	(3,400)
Bad debts written off against impairment allowance	-	(4,601)
Effect of movement in exchange rates	-	(86)
As at 30 June 2018 / 31 December 2017	1,512	38

B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

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