

**LPI CAPITAL BHD**
**Condensed Consolidated Statement of Profit or Loss for the Quarter Ended 30 September 2018 - Unaudited**

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <b>30.09.2018</b> RM'000	Preceding Year Corresponding Quarter Ended <b>30.09.2017</b> RM'000	Current Year To Date Ended <b>30.09.2018</b> RM'000	Preceding Year Corresponding Period Ended <b>30.09.2017</b> RM'000
<b>Operating revenue</b>	390,592	406,788	1,124,638	1,107,138
Gross written premiums	378,067	416,647	1,165,089	1,139,520
Change in unearned premiums provision	(20,094)	(37,729)	(121,746)	(105,646)
Gross earned premiums	357,973	378,918	1,043,343	1,033,874
Gross written premiums ceded to reinsurers	(108,009)	(191,530)	(395,132)	(469,833)
Change in unearned premiums provision	(14,813)	44,082	28,474	59,036
Premiums ceded to reinsurers	(122,822)	(147,448)	(366,658)	(410,797)
<b>Net earned premiums</b>	235,151	231,470	676,685	623,077
Investment income	32,619	27,870	81,295	73,264
Realised gains	63	241	63	3,052
Commission income	23,919	37,732	80,596	94,794
Write back of impairment loss on insurance receivables	22	-	-	-
Other operating income	1,715	3,894	5,139	5,965
<b>Other income</b>	58,338	69,737	167,093	177,075
Gross claims paid	(114,735)	(127,321)	(356,825)	(353,157)
Claims ceded to reinsurers	29,878	40,669	103,116	119,425
Gross change in contract liabilities	19,027	7,349	(86,953)	1,744
Change in contract liabilities ceded to reinsurers	(21,567)	(14,062)	59,151	(17,110)
<b>Net claims incurred</b>	(87,397)	(93,365)	(281,511)	(249,098)
Realised losses	(2)	-	(70)	-
Fair value losses	(199)	-	(1,646)	-
Commission expense	(41,918)	(49,241)	(120,200)	(123,072)
Management expenses	(49,144)	(44,060)	(147,958)	(136,964)
Impairment loss on insurance receivables	-	-	(580)	-
Impairment loss on investment carried at amortised cost	(1)	-	(6)	-
<b>Other expenses</b>	(91,264)	(93,301)	(270,460)	(260,036)
<b>Operating profit</b>	114,828	114,541	291,807	291,018
Finance costs	-	-	(4)	-
Share of profit after tax of equity accounted associated company	1,807	493	3,287	2,026
<b>Profit before tax</b>	116,635	115,034	295,090	293,044
Tax expense	(24,827)	(22,864)	(65,044)	(62,247)
<b>Profit for the period</b>	91,808	92,170	230,046	230,797
<b>Profit attributable to:</b>				
Owners of the Company	91,808	92,170	230,046	230,797
Earnings per ordinary share (sen)				
- Basic	23.04	23.14	57.74	57.93
- 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 September 2018 - Unaudited**

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <b><u>30.09.2018</u></b> RM'000	Preceding Year Corresponding Quarter Ended <b><u>30.09.2017</u></b> RM'000	Current Year To Date Ended <b><u>30.09.2018</u></b> RM'000	Preceding Year Corresponding Period Ended <b><u>30.09.2017</u></b> RM'000
<b>Profit for the period</b>	91,808	92,170	230,046	230,797
<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	3,461	38	370	(1,468)
Net gains on investments in available-for-sale assets	-	5,364	-	33,840
Net gains on investments in available-for-sale assets reclassified to profit or loss on disposal	-	-	-	(2,513)
Income tax relating to these items	-	(29)	-	91
<b>Items that will not be reclassified to profit or loss</b>				
Net gains on investments in equity instrument designated at fair value through other comprehensive income	72,156	-	185,928	-
Income tax relating to these items	(57)	-	-	-
<b>Total other comprehensive income for the period , net of tax</b>	<b>75,560</b>	<b>5,373</b>	<b>186,298</b>	<b>29,950</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>167,368</b>	<b>97,543</b>	<b>416,344</b>	<b>260,747</b>

**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 September 2018 - Unaudited

	As At <b><u>30.09.2018</u></b>	As At <b><u>31.12.2017</u></b>
	RM'000	RM'000
<b>Assets</b>		
Plant and equipment	17,234	17,138
Investment properties	27,270	27,270
Investment in an associated company	30,533	26,877
Other investments	1,354,143	1,146,699
Fair value through other comprehensive income	1,101,472	-
Fair value through profit or loss	154,782	-
Amortised cost	97,889	-
Available-for-sale	-	927,356
Held-to-maturity	-	219,343
Reinsurance assets	780,415	692,791
Loans and receivables, excluding insurance receivables	1,435,868	1,419,352
Insurance receivables	203,039	156,379
Deferred acquisition costs	40,684	33,650
Cash and cash equivalents	329,146	294,459
<b>Total assets</b>	<b><u>4,218,332</u></b>	<b><u>3,814,615</u></b>
<b>Equity</b>		
Share capital	398,383	338,244
Reserves	1,688,063	1,582,667
<b>Total equity</b>	<b><u>2,086,446</u></b>	<b><u>1,920,911</u></b>
<b>Liabilities</b>		
Insurance contract liabilities	1,845,120	1,636,422
Deferred tax liabilities	1,155	1,001
Finance lease liabilities	-	899
Insurance payables	140,836	121,894
Other payables	124,026	110,817
Tax payables	20,749	22,671
<b>Total liabilities</b>	<b><u>2,131,886</u></b>	<b><u>1,893,704</u></b>
<b>Total equity and liabilities</b>	<b><u>4,218,332</u></b>	<b><u>3,814,615</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 2017.**

## LPI CAPITAL BHD

### Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 September 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
<b><u>9 Months Period Ended 30 September 2018</u></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
Profit for the period	-	-	-	230,046	230,046
Other comprehensive income for the period	-	370	185,928	-	186,298
Total comprehensive income for the period	-	370	185,928	230,046	416,344
Contribution from / (Distribution 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	-	-	-	(252,973)	(252,973)
Total transactions with owners of the Company	60,139	-	-	(313,269)	(253,130)
At 30 September 2018	398,383	22,647	944,682	720,734	2,086,446

## LPI CAPITAL BHD

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

	←————— Non-distributable —————→			—————→ Distributable		
	Share capital	Share premium	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>9 Months Period Ended 30 September 2017</u></b>						
At 1 January 2017	331,986	6,258	27,073	713,601	758,398	1,837,316
Profit for the period	-	-	-	-	230,797	230,797
Other comprehensive (loss)/income for the period	-	-	(1,468)	31,418	-	29,950
Total comprehensive (loss)/income for the period	-	-	(1,468)	31,418	230,797	260,747
Distribution to owners of the Company						
- Dividends to owners of the Company	-	-	-	-	(272,228)	(272,228)
Total transaction with owners of the Company	-	-	-	-	(272,228)	(272,228)
Transfer in accordance with Section 618(2) of the Companies Act 2016	(b) 6,258	(6,258)	-	-	-	-
At 30 September 2017	338,244	-	25,605	745,019	716,967	1,825,835

**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 September 2018 - Unaudited

	Current Year To Date Ended <b><u>30.09.2018</u></b> RM'000	Preceding Year Corresponding Period Ended <b><u>30.09.2017</u></b> RM'000
<b>Operating activities</b>		
Profit before tax	295,090	293,044
Investment income	(81,295)	(73,264)
Realised losses/(gains) recorded in profit or loss	7	(3,052)
Fair value losses recorded in profit or loss	1,646	-
Share of profit of equity accounted associated company	(3,287)	(2,026)
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	-	(43,255)
Maturity of held-to-maturity financial assets	-	71,833
Proceeds from disposal of financial assets carried at fair value through profit or loss	63	-
Purchase of financial assets carried at fair value through profit or loss	(17,689)	-
Purchase of financial assets carried at amortised cost	(22,868)	-
Maturity of financial assets carried at amortised cost	21,060	-
Interest on finance lease liabilities	4	-
<b>Non-cash items:</b>		
Depreciation of plant and equipment	2,630	2,316
Fixed assets written off	-	3
Unrealised foreign exchange (gain)/loss	(386)	301
Impairment loss on insurance receivables	580	-
Impairment loss on investment carried at amortised cost	6	-
<b>Changes in working capital:</b>		
Increase in loans and receivables	(16,516)	(199,065)
Increase in reinsurance assets	(87,624)	(41,926)
Increase in insurance receivables	(48,113)	(31,989)
Increase in deferred acquisition costs	(7,034)	(919)
Increase in insurance contract liabilities	208,698	103,902
Increase in insurance payables	18,943	97,405
Increase in other payables	13,157	21,159
Cash generated from operating activities	<u>277,072</u>	<u>206,603</u>
Dividend income received	31,114	27,735
Interest income received	49,517	44,870
Rental income on investment property received	735	713
Income tax paid	<u>(67,379)</u>	<u>(61,076)</u>
<b>Net cash flows generated from operating activities</b>	<u><u>291,059</u></u>	<u><u>218,845</u></u>

## LPI CAPITAL BHD

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

	Current Year To Date Ended <b>30.09.2018</b> RM'000	Preceding Year Corresponding Period Ended <b>30.09.2017</b> RM'000
<b>Investing activities</b>		
Proceeds from disposal of plant and equipment	-	565
Purchase of plant and equipment	(2,726)	(4,254)
<b>Net cash flows used in investing activities</b>	<b>(2,726)</b>	<b>(3,689)</b>
<b>Financing activities</b>		
Expenses for issuance of equity securities	(157)	-
Dividends paid to owners of the Company	(252,973)	(272,228)
Repayment of finance lease liabilities	(903)	-
<b>Net cash flows used in financing activities</b>	<b>(254,033)</b>	<b>(272,228)</b>
Net increase/(decrease) in cash and cash equivalents	34,300	(57,072)
Cash and cash equivalents at 1 January	294,459	332,517
Effect of movement in exchange rates	387	(82)
<b>Cash and cash equivalents at 30 September</b>	<b>329,146</b>	<b>275,363</b>

**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:

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

<b>Group Financial assets</b>	<b>Notes</b>	<b>Original classification under MFRS 139</b>	<b>Original carrying amount RM'000</b>	<b>New classification under MFRS 9</b>	<b>New carrying amount RM'000</b>
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:

<b>Group Financial assets</b>	<b>MFRS 139 carrying amount At 31.12.2017 RM'000</b>	<b>Reclassification / Remeasurement At 1.1.2018 RM'000</b>	<b>MFRS 9 carrying amount At 1.1.2018 RM'000</b>
<b>Available-for-sale (AFS)</b> Brought forward Reclassification to FVOCI Reclassification to FVTPL Carried forward	927,356	(915,544) (11,812)	-
<b>Held-to-maturity (HTM)</b> Brought forward Reclassification to AC Reclassification to FVTPL Carried forward	219,343	(81,190) (138,153)	-
<b>Loans and receivables (L&amp;R)</b> Brought forward Reclassification to AC Reclassification to FVTPL Carried forward	2,238,544	(2,187,112) (51,432)	-
<b>FVOCI</b> Brought forward Reclassification from AFS Carried forward	-	915,544	915,544
<b>FVTPL</b> Brought forward Reclassification from AFS Reclassification from HTM Reclassification from L&R Remeasurement: - Fair value gains on unquoted share - Fair value gains on debt securities Carried forward	-	11,812 138,153 51,432  1,080 2,745	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
<b>Amortised Cost (AC)</b>			
Brought forward	-		
Reclassification from HTM		81,190	
Reclassification from L&R		2,187,112	
Remeasurement:			
- Allowance for ECL		(885)	
Carried forward			2,267,417
<b>Total</b>	<b>3,385,243</b>	<b>2,940</b>	<b>3,388,183</b>

(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.

	<b>Impact of adopting MFRS 9 At 1.1.2018 RM'000</b>
<b>Fair value reserve</b>	
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	<u>758,754</u>
<b>Retained earnings</b>	
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	<u>2,493</u>
Recognition of fair value gains for financial assets reclassified from HTM to FVTPL	2,745
Deferred tax liabilities	(571)
Impact at 1 January 2018	<u>2,174</u>
Recognition of expected credit losses under MFRS 9	(885)
Deferred tax assets	211
Impact at 1 January 2018	<u>(674)</u>
Opening balance under MFRS 9 at 1 January 2018	<u>803,957</u>



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 ITEM AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income, or cash flows which are unusual because of their nature, size, or incidence in the current interim period ended 30 September 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 September 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 nine (9) months ended 30 September 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

- a) 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 was paid on 6 February 2018; and
- b) A first interim single tier dividend of 26.00 sen per ordinary share amounting to RM103,579,516 in respect of the financial year ending 31 December 2018 was paid on 1 August 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	← 9 Months Ended →					
	General insurance		Investment holding		Total	
	2018	2017	2018	2017	2018	2017
External revenue	1,091,609	1,075,666	33,029	31,472	1,124,638	1,107,138
Inter-segment revenue	-	-	210,000	170,000	210,000	170,000
Segment profit before tax	267,428	263,897	237,662	199,147	505,090	463,044
Segment assets	2,995,477	2,823,241	1,422,855	1,245,500	4,418,332	4,068,741
Segment liabilities	2,129,084	2,040,359	2,802	2,547	2,131,886	2,042,906

i) Reconciliation of reportable segment profit:

RM'000	← 9 Months Ended →	
	<u>2018</u>	<u>2017</u>
Total profit for reportable segments	505,090	463,044
Elimination of inter-segment profit	(210,000)	(170,000)
Consolidated profit before tax	<u>295,090</u>	<u>293,044</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 9 Months Ended →	
	<u>2018</u>	<u>2017</u>
Total assets for reportable segments	4,418,332	4,068,741
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	<u>4,218,332</u>	<u>3,868,741</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 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.

<b>30.09.2018</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>RM'000</b>										
<b>Financial assets</b>										
<i>Fair value through other comprehensive income</i>										
- Quoted share	1,101,472	-	-	1,101,472	-	-	-	-	1,101,472	1,101,472
<i>Fair value through profit or loss</i>										
- Unit trust	5,906	-	-	5,906	-	-	-	-	5,906	5,906
- Real estate investment trusts ("REITs")	2,377	-	-	2,377	-	-	-	-	2,377	2,377
- Exchange-traded fund ("ETF")	597	-	-	597	-	-	-	-	597	597
- Quoted shares	3,747	-	-	3,747	-	-	-	-	3,747	3,747
- Unquoted share	-	-	1,328	1,328	-	-	-	-	1,328	1,328
- Corporate bonds and Sukuk	-	140,827	-	140,827	-	-	-	-	140,827	140,827
<i>Amortised cost</i>										
- Malaysian government guaranteed loans	-	-	-	-	-	40,443	-	40,443	40,443	40,039
- Corporate bonds and Sukuk	-	-	-	-	-	57,804	-	57,804	57,804	57,850
	<b>1,114,099</b>	<b>140,827</b>	<b>1,328</b>	<b>1,256,254</b>	<b>-</b>	<b>98,247</b>	<b>-</b>	<b>98,247</b>	<b>1,354,501</b>	<b>1,354,143</b>

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

<b>31.12.2017</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>RM'000</b>										
<b>Financial assets</b>										
<i>Available-for-sale</i>										
- 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
<i>Held-to-maturity</i>										
- 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
<b>Financial liabilities</b>										
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 September 2018 (30.09.2017: 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**

<b>Type</b>	<b>Description of valuation technique and inputs used</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.

### **Financial instruments not carried at fair value**

<b>Type</b>	<b>Description of valuation technique and inputs used</b>
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	<u>30.09.2018</u>	<u>31.12.2017</u>
<b>Capital expenditure commitments</b>		
<b>Plant and equipment</b>		
Contracted but not provided for	11,128	11,724

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

RM'000	<u>Companies in which a Director has substantial financial interest</u>	
	Current Year To Date Ended <u>30.09.2018</u>	Preceding Year Corresponding Period Ended <u>30.09.2017</u>
<b>Income earned:</b>		
Premium income	32,228	30,859
Dividend income	29,342	26,142
Fixed deposits income	4,851	3,761
Corporate bonds and sukuk income	2,516	2,679
	<u>68,937</u>	<u>63,441</u>
<b>Expenditure incurred:</b>		
Rental paid	(2,187)	(2,195)
Insurance commission	(39,250)	(34,853)
Stock broking commission	(4)	(37)
Corporate advisory fees	(86)	-
	<u>(41,527)</u>	<u>(37,085)</u>
<b>Other transaction:</b>		
Purchase of corporate bonds and sukuk	(10,000)	(20,000)



**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

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		
	30.09.2018	30.09.2017	Amount	% / ppt (*)	30.09.2018	30.09.2017	Amount	% / ppt (*)
<b>Revenue by segments</b>								
General insurance segment	375.4	393.5	(18.1)	(4.6)%	1,091.6	1,075.7	15.9	1.5%
Gross earned premiums	358.0	378.9	(20.9)	(5.5)%	1,043.3	1,033.9	9.4	0.9%
Investment income	17.4	14.6	2.8	19.2%	48.3	41.8	6.5	15.6%
Investment holding segment								
Investment income	15.2	13.3	1.9	14.3%	33.0	31.4	1.6	5.1%
Total revenue	390.6	406.8	(16.2)	(4.0)%	1,124.6	1,107.1	17.5	1.6%
<b>Revenue by geographical locations</b>								
Malaysia	371.3	387.5	(16.2)	(4.2)%	1,073.2	1,050.5	22.7	2.2%
Singapore	19.3	19.3	-	-	51.4	56.6	(5.2)	(9.2)%
Total revenue	390.6	406.8	(16.2)	(4.0)%	1,124.6	1,107.1	17.5	1.6%
Operating profit	114.8	114.5	0.3	0.3%	291.8	291.0	0.8	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	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	30.09.2018	30.09.2017	Amount	% / ppt (*)	30.09.2018	30.09.2017	Amount	% / ppt (*)
<b>Profit before tax by segments</b>								
General insurance (RM'mil)	103.0	102.8	0.2	0.2%	267.4	263.9	3.5	1.3%
Investment holding (RM'mil)	13.6	12.2	1.4	11.5%	27.7	29.1	(1.4)	(4.8)%
Total profit before tax	116.6	115.0	1.6	1.4%	295.1	293.0	2.1	0.7%
<b>Profit before tax by geographical locations</b>								
Malaysia (RM'mil)	112.0	112.4	(0.4)	(0.4)%	287.8	284.5	3.3	1.2%
Singapore (RM'mil)	2.8	2.1	0.7	33.3%	4.0	6.5	(2.5)	(38.5)%
Cambodia (RM'mil)	1.8	0.5	1.3	260.0%	3.3	2.0	1.3	65.0%
Total profit before tax	116.6	115.0	1.6	1.4%	295.1	293.0	2.1	0.7%
Profit attributable to owners of the Company (RM'mil)	91.8	92.2	(0.4)	(0.4)%	230.0	230.8	(0.8)	(0.3)%
Net return on equity (%)	4.4	5.0	-	(0.6) ppt	11.0	12.6	-	(1.6) ppt
Earnings per share (sen)	23.04	23.14	(0.10)	(0.4)%	57.74	57.93	(0.19)	(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	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	30.09.2018	30.09.2017	Amount	% / ppt (*)	30.09.2018	30.09.2017	Amount	% / ppt (*)
General insurance gross written premiums (RM'mil)	378.1	416.6	(38.5)	(9.2)%	1,165.1	1,139.5	25.6	2.2%
General insurance net earned premiums (RM'mil)	235.2	231.5	3.7	1.6%	676.7	623.1	53.6	8.6%
General insurance underwriting profit (RM'mil)	82.2	83.6	(1.4)	(1.7)%	212.4	212.6	(0.2)	(0.1)%
General insurance claims incurred ratio (%)	37.2	40.3	-	(3.1) ppt	41.6	40.0	-	1.6 ppt
General insurance management expenses ratio (%)	20.2	18.6	-	1.6 ppt	21.2	21.4	-	(0.2) ppt
General insurance commission ratio (%)	7.7	5.0	-	2.7 ppt	5.9	4.5	-	1.4 ppt
General insurance combined ratio (%)	65.1	63.9	-	1.2 ppt	68.7	65.9	-	2.8 ppt

(\* ppt – percentage points)

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Gross written premiums	168,377	133,042	88,801	75,110	14,009	11,398	106,880	197,097	378,067	416,647
Change in unearned premiums provision	(15,756)	26,802	(9,659)	11,013	6,008	9,917	(687)	(85,461)	(20,094)	(37,729)
Gross earned premiums	152,621	159,844	79,142	86,123	20,017	21,315	106,193	111,636	357,973	378,918
Gross written premiums ceded to reinsurers	(52,588)	(37,298)	(4,265)	(7,218)	(9,480)	(7,433)	(41,676)	(139,581)	(108,009)	(191,530)
Change in unearned premiums provision	(4,754)	(21,061)	(1,903)	(4,083)	(6,220)	(8,403)	(1,936)	77,629	(14,813)	44,082
Premiums ceded to reinsurers	(57,342)	(58,359)	(6,168)	(11,301)	(15,700)	(15,836)	(43,612)	(61,952)	(122,822)	(147,448)
Net earned premiums	95,279	101,485	72,974	74,822	4,317	5,479	62,581	49,684	235,151	231,470
Net claims incurred	(10,279)	(13,755)	(46,897)	(55,511)	(913)	(2,029)	(29,308)	(22,070)	(87,397)	(93,365)
Commission income	10,955	16,481	756	1,852	1,226	1,086	10,982	18,313	23,919	37,732
Commission expense	(18,142)	(23,468)	(7,680)	(7,893)	(1,098)	(1,077)	(14,998)	(16,803)	(41,918)	(49,241)
Net commission	(7,187)	(6,987)	(6,924)	(6,041)	128	9	(4,016)	1,510	(17,999)	(11,509)
Total out-go	(17,466)	(20,742)	(53,821)	(61,552)	(785)	(2,020)	(33,324)	(20,560)	(105,396)	(104,874)
Underwriting surplus before management expenses	77,813	80,743	19,153	13,270	3,532	3,459	29,257	29,124	129,755	126,596
Management expenses of the insurance fund									(47,530)	(42,978)
Underwriting surplus after management expenses									82,225	83,618
Net claims incurred ratio (%)	10.8	13.6	64.3	74.2	21.1	37.0	46.8	44.4	37.2	40.3

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 3: Underwriting results of general insurance for the financial period ended 30 September 2018:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Gross written premiums	499,873	443,465	246,253	224,179	61,817	64,434	357,146	407,442	1,165,089	1,139,520
Change in unearned premiums provision	(55,907)	(13,042)	(17,454)	8,811	(5,282)	(1,314)	(43,103)	(100,101)	(121,746)	(105,646)
Gross earned premiums	443,966	430,423	228,799	232,990	56,535	63,120	314,043	307,341	1,043,343	1,033,874
Gross written premiums ceded to reinsurers	(174,935)	(153,883)	(11,448)	(20,968)	(46,563)	(51,067)	(162,186)	(243,915)	(395,132)	(469,833)
Change in unearned premiums provision	16,117	(4,449)	(7,776)	(13,003)	3,930	1,951	16,203	74,537	28,474	59,036
Premiums ceded to reinsurers	(158,818)	(158,332)	(19,224)	(33,971)	(42,633)	(49,116)	(145,983)	(169,378)	(366,658)	(410,797)
Net earned premiums	285,148	272,091	209,575	199,019	13,902	14,004	168,060	137,963	676,685	623,077
Net claims incurred	(36,874)	(43,538)	(156,980)	(141,112)	(2,453)	(4,751)	(85,204)	(59,697)	(281,511)	(249,098)
Commission income	33,992	38,536	2,698	6,318	4,603	4,220	39,303	45,720	80,596	94,794
Commission expense	(52,309)	(54,614)	(21,688)	(22,090)	(3,595)	(3,475)	(42,608)	(42,893)	(120,200)	(123,072)
Net commission	(18,317)	(16,078)	(18,990)	(15,772)	1,008	745	(3,305)	2,827	(39,604)	(28,278)
Total out-go	(55,191)	(59,616)	(175,970)	(156,884)	(1,445)	(4,006)	(88,509)	(56,870)	(321,115)	(277,376)
Underwriting surplus before management expenses	229,957	212,475	33,605	42,135	12,457	9,998	79,551	81,093	355,570	345,701
Management expenses of the insurance fund									(143,174)	(133,072)
Underwriting surplus after management expenses									212,396	212,629
Net claims incurred ratio (%)	12.9	16.0	74.9	70.9	17.6	33.9	50.7	43.3	41.6	40.0

## B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

### **Revenue**

The revenue of the Group decreased by RM16.2 million to RM390.6 million from RM406.8 million in the third quarter of 2018 as compared to the corresponding quarter last year. The decrease was mainly driven by decline in gross earned premium of 5.5% or RM20.9 million from its general insurance segment. The decline in gross earned premium was mainly due to there was an one-off released of unearned premium reserves of RM54.5 million recorded in the previous year arising from change in accounting estimate for provision of unearned premium. Investment holding segment recorded higher revenue of RM15.2 million as compared to RM13.3 million in the corresponding quarter in 2017 due to higher dividend income received.

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 for the nine months ended 30 September 2018 grew by 1.6% or RM17.5 million to RM1,124.6 million from RM1,107.1 million in the corresponding period in 2017. The increase was mainly driven by growth in gross earned premium of 0.9% or RM9.4 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. The investment holding segment recorded higher revenue of RM33.0 million as compared to RM31.4 million in 2017 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 third quarter of 2018 grew by 1.4% to RM116.6 million from RM115.0 million in the corresponding quarter in 2017. The increase came from the investment holding segment, which recorded an increase of 11.5% as compared to previous corresponding quarter, mainly due to higher revenue generated during the current quarter. The general insurance segment recorded a marginally higher profit of RM103.0 million as compared to RM102.8 million previously.

Profit before tax of the Group for the nine months period ended 30 September 2018 registered a marginal growth of 0.7% or RM2.1 million to RM295.1 million from RM293.0 million in the corresponding period in 2017. The increase was contributed by profit from general insurance segment, which increased by RM3.5 million or 1.3% to RM267.4 million from RM263.9 million in the corresponding period in 2017. The investment holding segment recorded a lower profit before tax of RM27.7 million as compared to RM29.1 million in the corresponding period in 2017 mainly due to non-recurring gains of RM1.5 million from the sale of equity investment in last year and higher management expenses during the current financial period.

Business operation in Malaysia contributed 96.1% and 97.5% of the Group's total profit before tax in the third quarter of 2018 and current period under review respectively.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 30.09.2018	Preceding Year Corresponding Quarter Ended 30.09.2017	Current Year To Date Ended 30.09.2018	Preceding Year Corresponding Period Ended 30.09.2017
RM' mil				
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	3.5	-	0.4	(1.5)
Net gains on investments in available-for-sale assets	-	5.4	-	33.8
Net gains on investments in available-for-sale assets reclassified to profit or loss on disposal	-	-	-	(2.5)
Income tax relating to these items	-	-	-	0.1
Items that will not be reclassified to profit or loss				
Net gains on investments in equity instrument designated at fair value through other comprehensive income	72.2	-	185.9	-
Income tax relating to these items	(0.1)	-	-	-
Total other comprehensive income for the period, net of tax	75.6	5.4	186.3	29.9

The Group's total other comprehensive income for the nine months ended 30 September 2018 increased substantially to RM186.3 million as compared to RM29.9 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 5: Review of assets and liabilities

RM'mil	As at 30.09.2018	As at 31.12.2017	Changes	
			Amount	%
Total assets	4,218.3	3,814.6	403.7	10.6
Total liabilities	2,131.9	1,893.7	238.2	12.6
Total equity	2,086.4	1,920.9	165.5	8.6

### **Total assets**

As at 30 September 2018, the Group's total assets increased by RM403.7 million to RM4,218.3 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 71.0% of the Group's total assets as at 30 September 2018.

### **Total liabilities**

As at 30 September 2018, total liabilities of the Group increased to RM2,131.9 million from RM1,893.7 million as at 31 December 2017. This mainly consists of RM208.7 million increase in insurance contract liabilities and RM18.9 million insurance payables of its general insurance segment.

### **Total equity**

The Group's total equity as at 30 September 2018 increased by 8.6% or RM165.5 million to RM2,086.4 million from RM1,920.9 million in 2017 after the payment of dividends amounting to RM253.0 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 24.2% or RM184.3 million to RM944.7 million from RM760.4 million as at 31 December 2017.

## 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 30.09.2018 SGD1.00 = RM3.03	Functional Currency SGD'000	Reporting Currency RM'000
Gross earned premiums	15,896	48,166
Investment income	1,084	3,284
<b>Total revenue</b>	<b>16,980</b>	<b>51,450</b>
Profit before tax	1,330	4,031
Profit after tax	1,276	3,867
Total assets	92,384	279,925
Total liabilities	48,709	147,587

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 30.09.2018	Preceding Year Corresponding Period Ended 30.09.2017
Profit after tax	230.0	230.8
Net cash flows generated from operating activities	291.0	218.8
Net cash flows used in investing activities	(2.7)	(3.7)
Net cash flows used in financing activities	(254.0)	(272.2)
Net increase/(decrease) in cash and cash equivalents	34.3	(57.1)
Cash and cash equivalents at 1 January	294.4	332.5
Effect of movement in exchange rates	0.4	-
Cash and cash equivalents at 30 September	329.1	275.4

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 nine months period ended 30 September 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 126.5% (RM291.0 million / RM230.0 million). The ratio of 126.5% 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 RM2.7 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 RM208.7 million to RM1,845.1 million for the nine months period ended 30 September 2018. The Group has generated sufficient free cash flow to pay dividends amounting to RM253.0 million (consist of RM149.4 million second interim for financial year ended 2017 and RM103.6 million first interim for financial year ending 2018) during the current financial period.

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

	Current Year Quarter Ended 30.09.2018	Immediate Preceding Quarter Ended 30.06.2018	Changes	
			Amount	% / ppt
Gross earned premiums (RM'mil)	358.0	335.6	22.4	6.7%
Investment income (RM'mil)	32.6	17.4	15.2	87.4%
<b>Total revenue (RM'mil)</b>	<b>390.6</b>	<b>353.0</b>	<b>37.6</b>	<b>10.7%</b>
Operating profit (RM'mil)	114.8	86.3	28.5	33.0%
Profit before tax (RM'mil)	116.6	86.9	29.7	34.2%
Profit attributable to owners of the Company (RM'mil)	91.8	65.7	26.1	39.7%
Net return on equity (%)	4.4	3.3	-	1.1 ppt
Earnings per share (sen)	23.04	16.50	6.54	39.6%
General insurance gross written premiums (RM'mil)	378.1	303.8	74.3	24.5%
General insurance net earned premiums (RM'mil)	235.2	225.1	10.1	4.5%
General insurance underwriting profit (RM'mil)	82.2	70.6	11.6	16.4%
General insurance claims incurred ratio (%)	37.2	41.0	-	(3.8) ppt
General insurance management expenses ratio (%)	20.2	21.6	-	(1.4) ppt
General insurance commission ratio (%)	7.7	6.1	-	1.6 ppt
General insurance combined ratio (%)	65.1	68.7	-	(3.6) ppt

For the third quarter ended 30 September 2018, the Group recorded a higher profit before tax of RM116.6 million as compared to RM86.9 million in the preceding quarter ended 30 June 2018. The improved performance was due to better underwriting experience and higher investment income received.

### B3. CURRENT YEAR PROSPECTS

- a) 2018 continues to be a challenging year for the Malaysian general insurance industry as the global economic condition remains volatile affecting the economic prospects of the emerging markets. On the domestic front, the property market has not recovered from its oversupply and weak demand position while major infrastructure projects have been under review, affecting the demand for general insurance. As a result, the Malaysian general insurance industry reported a mere 0.7% growth in its gross premium written for the first 6 months of 2018.

The liberalisation process for the insurance industry has put pressure on pricing especially on the more profitable fire portfolio of business. As a major player in fire insurance, Lonpac has responded to the competition with new innovative products priced competitively and will work to further strengthen our market leadership in this portfolio.

Bank Negara Malaysia is currently reviewing the outcomes of the second phase of the Phased Liberalisation of Motor and Fire Tariffs which started in 2016 as it prepares to launch the next phase of liberalisation. The Group will continue to focus on improving quality standards and operational efficiency in order to prepare for the new competitive landscape. Investment on technology is ongoing to build alternative channels of distribution.

- 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
	<u>30.09.2018</u>	<u>30.09.2017</u>	<u>30.09.2018</u>	<u>30.09.2017</u>
Profit before tax	116,635	115,034	295,090	293,044
Income tax:				
Current tax charge	24,665	24,271	65,327	63,654
Under / (Over) provision in prior year	181	(1,407)	181	(1,407)
Deferred taxation	(19)	-	(464)	-
Total tax expense	<u>24,827</u>	<u>22,864</u>	<u>65,044</u>	<u>62,247</u>
Effective tax rate on current tax charge	21%	21%	22%	22%

The effective tax rate on the current tax charge of the Group for the current quarter and financial period ended 30 September 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 3 October 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 September 2018.

**B9. DISCLOSURE OF DERIVATIVES**

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

**B11. CHANGES IN MATERIAL LITIGATION**

There were no pending material litigations since the last annual balance sheet date up to 3 October 2018, which is not earlier than 7 days from date of issue of this quarterly report.

**B12. DIVIDEND**

The total dividend for the nine (9) months ended 30 September 2018 was 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	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	<u>30.09.2018</u>	<u>30.09.2017</u>	<u>30.09.2018</u>	<u>30.09.2017</u>
Profit after tax (RM'000)	91,808	92,170	230,046	230,797
Weighted average no. of ordinary shares in issue ('000)	398,383	398,383	398,383	398,383
Basic earnings per share (sen)	23.04	23.14	57.74	57.93

Comparative figures for the weighted average number of ordinary shares for basic earnings per share have been restated to reflect the adjustment arising from the Bonus Issue during the current interim financial period ended 30 September 2018.

#### 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>30.09.2018</u>	<u>30.09.2017</u>	<u>30.09.2018</u>	<u>30.09.2017</u>
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period is arrived at after charging:</b>				
Finance costs	-	-	4	-
Depreciation of plant and equipment (NI)	899	827	2,630	2,316
Loss on disposal of quoted and unquoted investment (N3)	2	-	70	-
Impairment loss on investment carried at amortised cost	1	-	6	-
Impairment loss on insurance receivables (Under MFRS 9)	-	-	580	-
Allowance for impairment loss on other receivables (NI)	-	408	-	408
Net foreign exchange loss (NI)	5	31	-	407

B14. PROFIT FOR THE PERIOD (CONTINUED)

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <b>30.09.2018</b> RM'000	Preceding Year Corresponding Quarter Ended <b>30.09.2017</b> RM'000	Current Year To Date Ended <b>30.09.2018</b> RM'000	Preceding Year Corresponding Period Ended <b>30.09.2017</b> RM'000
<b>and after crediting:</b>				
Interest income (N2)	17,487	15,170	49,446	44,816
Dividend income (N2)	14,898	12,470	31,114	27,735
Rental income (N2)	234	230	735	713
Gain on disposal of quoted and unquoted investment (N3)	63	-	63	2,513
Write back of impairment loss on insurance receivables (N1)	-	1,064	-	3,095
Write back of impairment loss on other receivables (N1)	438	-	438	-
Write back of impairment loss on insurance receivables (Under MFRS 9)	22	-	-	-
Net foreign exchange gain (N1)	-	-	90	-

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 September 2018.

(N1) Depreciation of plant and equipment, write back of/(allowance for) impairment loss on insurance receivables and other receivables 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 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:

	<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><u>30.09.2018</u></b>						
Insurance receivables	23,423	4,546	4,694	-	-	32,663
<b><u>31.12.2017</u></b>						
Insurance receivables	7,292	3,437	2,364	134	-	13,227

The past due trade receivables above are collectable.

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	
	<b><u>30.09.2018</u></b>	<b><u>31.12.2017</u></b>
	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	580	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 September 2018 / 31 December 2017	1,490	38

## B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

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