

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

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 30.09.2019 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2018 RM'000	Current Year To Date Ended 30.09.2019 RM'000	Preceding Year Corresponding Period Ended 30.09.2018 RM'000
Operating revenue	423,841	390,592	1,203,445	1,124,638
Gross written premiums	380,045	378,067	1,207,559	1,165,089
Change in unearned premiums provision	10,363	(20,094)	(90,953)	(121,746)
Gross earned premiums	390,408	357,973	1,116,606	1,043,343
Gross written premiums ceded to reinsurers	(128,824)	(108,009)	(426,300)	(395,132)
Change in unearned premiums provision	(3,262)	(14,813)	55,656	28,474
Premiums ceded to reinsurers	(132,086)	(122,822)	(370,644)	(366,658)
Net earned premiums	258,322	235,151	745,962	676,685
Investment income	33,433	32,619	86,839	81,295
Realised gains	1	-	3	-
Fair value gains	1,392	-	3,145	93
Commission income	24,512	23,919	78,107	80,596
Net reversal of impairment loss on insurance receivables	728	22	-	-
Net reversal of impairment loss on investments carried at amortised cost	3	-	9	-
Other operating income	1,908	1,715	5,312	5,139
Other income	61,977	58,275	173,415	167,123
Gross claims paid	(163,493)	(114,735)	(438,266)	(356,825)
Claims ceded to reinsurers	59,780	29,878	144,019	103,116
Gross change in claims liabilities	11,861	19,027	35,694	(86,953)
Change in claims liabilities ceded to reinsurers	(20,670)	(21,567)	(78,987)	59,151
Net claims incurred	(112,522)	(87,397)	(337,540)	(281,511)
Realised losses	-	(2)	-	(70)
Fair value losses	-	(136)	(16)	(1,676)
Commission expense	(44,339)	(41,918)	(128,197)	(120,200)
Management expenses	(52,164)	(49,144)	(153,191)	(147,958)
Net impairment loss on insurance receivables	-	-	(1,869)	(580)
Net impairment loss on investments carried at amortised cost	-	(1)	-	(6)
Other expenses	(96,503)	(91,201)	(283,273)	(270,490)
Operating profit	111,274	114,828	298,564	291,807
Finance costs	(536)	-	(970)	(4)
Share of profit after tax of equity accounted associated company	621	1,807	1,834	3,287
Profit before tax	111,359	116,635	299,428	295,090
Tax expense	(23,541)	(24,827)	(63,670)	(65,044)
Profit for the period	87,818	91,808	235,758	230,046
Profit attributable to:				
Owners of the Company	87,818	91,808	235,758	230,046
Earnings per ordinary share (sen)				
- Basic	22.04	23.04	59.18	57.74
- Diluted	N/A	N/A	N/A	N/A

N/A - *Not Applicable.*

Note : The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

LPI CAPITAL BHD

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

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <u>30.09.2019</u> RM'000	Preceding Year Corresponding Quarter Ended <u>30.09.2018</u> RM'000	Current Year To Date Ended <u>30.09.2019</u> RM'000	Preceding Year Corresponding Period Ended <u>30.09.2018</u> RM'000
Profit for the period	87,818	91,808	235,758	230,046
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	(93)	3,461	2	370
Items that will not be reclassified to profit or loss				
Net (losses)/gains on investments in equity instruments designated at fair value through other comprehensive income	(128,638)	72,156	(206,195)	185,928
Income tax relating to these items	798	(57)	1,293	-
Total other comprehensive (loss)/income for the period, net of tax	(127,933)	75,560	(204,900)	186,298
Total comprehensive (loss)/income for the period attributable to owners of the Company	(40,115)	167,368	30,858	416,344

Note : The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

LPI CAPITAL BHD**Condensed Consolidated Statement of Financial Position As At 30 September 2019 - Unaudited**

	As At <u>30.09.2019</u>	As At <u>31.12.2018</u>
	RM'000	RM'000
Assets		
Plant and equipment	16,852	18,259
Right-of-use assets	47,902	-
Investment properties	27,360	27,360
Investment in an associated company	33,394	31,564
Other investments	1,232,331	1,368,652
Fair value through other comprehensive income	884,703	1,090,899
Fair value through profit or loss	259,716	179,831
Amortised cost	87,912	97,922
Reinsurance assets	796,264	819,596
Loans and receivables, excluding insurance receivables	1,516,779	1,351,063
Insurance receivables	215,604	159,997
Deferred acquisition costs	41,940	45,553
Cash and cash equivalents	209,346	418,509
Total assets	<u>4,137,772</u>	<u>4,240,553</u>
Equity		
Share capital	398,383	398,383
Reserves	1,514,376	1,758,402
Total equity	<u>1,912,759</u>	<u>2,156,785</u>
Liabilities		
Insurance contract liabilities	1,914,252	1,858,994
Deferred tax liabilities	3,917	4,893
Lease liabilities	48,382	-
Insurance payables	116,858	88,498
Other payables	119,960	107,112
Current tax payables	21,644	24,271
Total liabilities	<u>2,225,013</u>	<u>2,083,768</u>
Total equity and liabilities	<u>4,137,772</u>	<u>4,240,553</u>

Note : The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

LPI CAPITAL BHD

Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 September 2019 - 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>9 Months Period Ended 30 September 2019</u>					
At 1 January 2019	398,383	23,283	930,382	804,737	2,156,785
Foreign currency translation differences for foreign operation	-	2	-	-	2
Net losses on investments in equity instruments designated at fair value through other comprehensive income	-	-	(204,902)	-	(204,902)
Total other comprehensive income/(loss) for the period	-	2	(204,902)	-	(204,900)
Profit for the period	-	-	-	235,758	235,758
Total comprehensive income/(loss) for the period	-	2	(204,902)	235,758	30,858
Distributions to owners of the Company					
Dividends to owners of the Company	-	-	-	(274,884)	(274,884)
Total transaction with owners of the Company	-	-	-	(274,884)	(274,884)
At 30 September 2019	398,383	23,285	725,480	765,611	1,912,759

LPI CAPITAL BHD

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

	← Non-distributable →		Distributable		
	Share capital RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
9 Months Period Ended 30 September 2018					
At 31 December 2017	338,244	22,277	760,426	799,964	1,920,911
Changes on initial application of MFRS 9	-	-	(1,672)	3,993	2,321
At 1 January 2018	338,244	22,277	758,754	803,957	1,923,232
Foreign currency translation differences for foreign operation	-	370	-	-	370
Net gains on investments in equity instruments designated at fair value through other comprehensive income	-	-	185,928	-	185,928
Total other comprehensive income for the period	-	370	185,928	-	186,298
Profit for the period	-	-	-	230,046	230,046
Total comprehensive income for the period	-	370	185,928	230,046	416,344
Contributions from/(Distributions to) owners of the Company					
Issue of Ordinary Shares					
- Pursuant to bonus issue	60,139	-	-	(60,139)	-
- Expenses for issuance of equity securities	-	-	-	(157)	(157)
Dividends to owners of the Company	-	-	-	(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

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

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

	Current Year To Date Ended <u>30.09.2019</u> RM'000	Preceding Year Corresponding Period Ended <u>30.09.2018</u> RM'000
Operating activities		
Profit before tax	299,428	295,090
Investment income	(86,839)	(81,295)
Net realised (gains)/losses recorded in profit or loss	(3)	70
Net fair value (gains)/losses recorded in profit or loss	(3,139)	1,583
Share of profit of equity accounted associated company	(1,834)	(3,287)
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	(131,800)	(17,689)
Purchase of financial assets carried at amortised cost	-	(22,868)
Maturity of financial assets carried at amortised cost	10,000	21,060
Maturity of financial assets carried at fair value through profit or loss	55,000	-
Interest on lease liabilities	970	4
Non-cash items:		
Depreciation of plant and equipment	3,551	2,630
Depreciation of right-of-use assets	5,274	-
Unrealised foreign exchange gain	(218)	(386)
Net impairment loss on insurance receivables	1,869	580
(Net reversal of)/ Net impairment loss on investment carried at amortised cost	(9)	6
Changes in working capital:		
Increase in loans and receivables	(165,716)	(16,516)
Decrease/(Increase) in reinsurance assets	23,332	(87,624)
Increase in insurance receivables	(57,476)	(48,113)
Decrease/(Increase) in deferred acquisition costs	3,613	(7,034)
Increase in insurance contract liabilities	55,258	208,698
Increase in insurance payables	28,360	18,943
Increase in other payables	12,848	13,157
Cash generated from operating activities	52,469	277,072
Dividend income received	37,588	31,114
Interest income received	48,694	49,517
Rental income on investment property received	630	735
Interest paid	(970)	-
Income tax paid	(65,979)	(67,379)
Net cash flows generated from operating activities	72,432	291,059

LPI CAPITAL BHD

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

	Current Year To Date Ended <u>30.09.2019</u> RM'000	Preceding Year Corresponding Period Ended <u>30.09.2018</u> RM'000
Investing activities		
Proceeds from disposal of plant and equipment	3	-
Purchase of plant and equipment	(2,144)	(2,726)
Net cash flows used in investing activities	<u>(2,141)</u>	<u>(2,726)</u>
Financing activities		
Expenses for issuance of equity securities	-	(157)
Dividends paid to owners of the Company	(274,884)	(252,973)
Payment of lease liabilities	(4,794)	(903)
Net cash flows used in financing activities	<u>(279,678)</u>	<u>(254,033)</u>
Net (decrease)/increase in cash and cash equivalents	(209,387)	34,300
Cash and cash equivalents at 1 January	418,509	294,459
Effect of movement in exchange rates	224	387
Cash and cash equivalents at 30 September	<u>209,346</u>	<u>329,146</u>

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

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

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting, and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. They do not include all of the information required for a complete set of MFRS/IFRS financial statements, and should be read in conjunction with the Group’s last annual consolidated audited financial statements as at and for the year ended 31 December 2018 (“last annual consolidated audited financial statements”). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated audited financial statements.

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

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

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

A2. CHANGES IN ACCOUNTING POLICIES

MFRS 16, *Leases*

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

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

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

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

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

A. Definition of a lease

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

B. As a lessee

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

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

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 16, *Leases* (continued)

B. As a lessee (continued)

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

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

	Office buildings RM'000	Printing and photostat machines RM'000	Total RM'000
Balance at 1 January 2019	21,492	1,371	22,863
Balance at 30 September 2019	47,063	839	47,902

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

i. Significant accounting policies

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

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

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 16, *Leases* (continued)

B. As a lessee (continued)

i. Significant accounting policies (continued)

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

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

ii. Transition

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

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

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 16, *Leases* (continued)

C. As a lessor

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

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

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

D. Impacts on financial statements

i. Impacts on transition

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

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

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

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 16, *Leases* (continued)

D. Impacts on financial statements (continued)

i. Impacts on transition (continued)

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

ii. Impacts for the period

As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RM47,902,000 of right-of-use assets and RM48,382,000 of lease liabilities as at 30 September 2019.

Also in relation to those leases under MFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the nine months ended 30 September 2019, the Group recognised RM5,274,000 of depreciation charges and RM970,000 of interest costs from these leases.

A3. COMMENTS ON SEASONALITY OR CYCLICALITY

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

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

A4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income, or cash flows which are unusual because of their nature, size, or incidence in the current interim period ended 30 September 2019.

A5. CHANGES IN ESTIMATES

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

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

A6. ISSUES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by LPI Capital Bhd ("LPI") in the current interim period ended 30 September 2019.

A7. DIVIDEND PAID

a) A second interim single tier dividend of 42.00 sen per ordinary share amounting to RM167,320,756 in respect of the financial year ended 31 December 2018 was paid on 27 February 2019; and

b) A first interim single tier dividend of 27.00 sen per ordinary share amounting to RM107,563,343 in respect of the financial year ending 31 December 2019 was paid on 8 August 2019.

A8. OPERATING SEGMENTS

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

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

Business segments

The Group comprises the following main business segments:

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

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

Segment reporting:

RM'000	← 9 Months Ended →					
	General insurance		Investment holding		Total	
	2019	2018	2019	2018	2019	2018
External revenue	1,169,466	1,091,609	33,979	33,029	1,203,445	1,124,638
Inter-segment revenue	-	-	230,000	210,000	230,000	210,000
Segment profit before tax	271,864	267,743	257,564	237,347	529,428	505,090
Segment assets	3,142,061	2,995,477	1,195,711	1,422,855	4,337,772	4,418,332
Segment liabilities	2,221,999	2,129,084	3,014	2,802	2,225,013	2,131,886

A8. OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

i) Reconciliation of reportable segment profit:

RM'000	← 9 Months Ended →	
	<u>2019</u>	<u>2018</u>
Total profit for reportable segments	529,428	505,090
Elimination of inter-segment profit	(230,000)	(210,000)
Consolidated profit before tax	<u>299,428</u>	<u>295,090</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 9 Months Ended →	
	<u>2019</u>	<u>2018</u>
Total assets for reportable segments	4,337,772	4,418,332
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	<u>4,137,772</u>	<u>4,218,332</u>

A9. EVENTS AFTER THE INTERIM PERIOD

There were no material events after the interim period that have not been reflected in the financial statements for the interim period.

A10. EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarterly period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations.

A11. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

MyCC informed that pursuant to its investigation, the commission on the preliminary basis finds that Lonpac together with the other 21 members of Persatuan Insurans Am Malaysia (“PIAM”) have infringed the prohibition under Section 4(2)(a) of the Act for fixing parts trade discounts and labour rates for repair workshops and are therefore liable for an infringement under Section 4(3) of the Act.

MyCC has also proposed to impose a financial penalty of RM8,301,445 on Lonpac for the alleged infringement. The Proposed Decision is not final as at the date of this report, and Lonpac in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the Act.

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

A12. FINANCIAL INSTRUMENTS

Fair value information

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

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the condensed consolidated statement of financial position.

RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
30.09.2019										
Financial assets										
<i>Designated at fair value through other comprehensive income</i>										
- Quoted shares	884,703	-	-	884,703	-	-	-	-	884,703	884,703
<i>Mandatorily at fair value through profit or loss</i>										
- Unit trust	164,321	-	-	164,321	-	-	-	-	164,321	164,321
- Real estate investment trusts ("REITs")	2,569	-	-	2,569	-	-	-	-	2,569	2,569
- Exchange-traded fund ("ETF")	701	-	-	701	-	-	-	-	701	701
- Quoted shares	3,649	-	-	3,649	-	-	-	-	3,649	3,649
- Unquoted shares	-	-	1,312	1,312	-	-	-	-	1,312	1,312
- Corporate bonds and sukuk	-	87,164	-	87,164	-	-	-	-	87,164	87,164
<i>Amortised cost</i>										
- Malaysian government guaranteed loans	-	-	-	-	-	40,951	-	40,951	40,951	40,016
- Corporate bonds and sukuk	-	-	-	-	-	48,579	-	48,579	48,579	47,896
	1,055,943	87,164	1,312	1,144,419	-	89,530	-	89,530	1,233,949	1,232,331

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

31.12.2018

RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets										
<i>Designated at fair value through other comprehensive income</i>										
- Quoted shares	1,090,899	-	-	1,090,899	-	-	-	-	1,090,899	1,090,899
<i>Mandatorily at fair value through profit or loss</i>										
- Unit trust	36,009	-	-	36,009	-	-	-	-	36,009	36,009
- Real estate investment trusts ("REITs")	2,365	-	-	2,365	-	-	-	-	2,365	2,365
- Exchange-traded fund ("ETF")	590	-	-	590	-	-	-	-	590	590
- Quoted shares	3,635	-	-	3,635	-	-	-	-	3,635	3,635
- Unquoted shares	-	-	1,328	1,328	-	-	-	-	1,328	1,328
- Corporate bonds and sukuk	-	135,904	-	135,904	-	-	-	-	135,904	135,904
<i>Amortised cost</i>										
- Malaysian government guaranteed loans	-	-	-	-	-	40,420	-	40,420	40,420	40,033
- Corporate bonds and sukuk	-	-	-	-	-	58,001	-	58,001	58,001	57,889
	<u>1,133,498</u>	<u>135,904</u>	<u>1,328</u>	<u>1,270,730</u>	<u>-</u>	<u>98,421</u>	<u>-</u>	<u>98,421</u>	<u>1,369,151</u>	<u>1,368,652</u>

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the current interim period ended 30 September 2019 (31.12.2018: no transfer in either directions).

Level 3 fair value

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

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

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

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

Financial instruments carried at fair value

		Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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.	Net assets value	The higher the value of net assets the higher the fair value.

A13. CAPITAL AND OTHER COMMITMENTS

RM'000	<u>30.09.2019</u>	<u>31.12.2018</u>
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	3,728	10,979

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

RM'000	Associated Company		Companies in which a Director has substantial financial interest	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Income earned:				
Premium income	356	435	34,370	32,228
Dividend income	-	-	31,045	29,342
Fixed deposits income	-	-	4,168	4,851
Corporate bonds and sukuk income	-	-	1,877	2,516
Information technology services	8	11	-	-
	<u>364</u>	<u>446</u>	<u>71,460</u>	<u>68,937</u>
Expenditure incurred:				
Rental paid	-	-	(2,328)	(2,187)
Insurance commission	(91)	(92)	(39,452)	(39,250)
Stock broking commission	-	-	-	(4)
Corporate advisory fees	-	-	-	(86)
	<u>(91)</u>	<u>(92)</u>	<u>(41,780)</u>	<u>(41,527)</u>
Other transaction:				
Purchase of corporate bonds and sukuk	-	-	-	(10,000)

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

B1. REVIEW OF GROUP PERFORMANCE

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

RM'mil	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	30.09.2019	30.09.2018	Amount	% / ppt (*)	30.09.2019	30.09.2018	Amount	% / ppt (*)
Revenue by segments								
General insurance segment	408.8	375.4	33.4	8.9%	1,169.5	1,091.6	77.9	7.1%
Gross earned premiums	390.4	358.0	32.4	9.1%	1,116.6	1,043.3	73.3	7.0%
Investment income	18.4	17.4	1.0	5.7%	52.9	48.3	4.6	9.5%
Investment holding segment								
Investment income	15.0	15.2	(0.2)	(1.3)%	33.9	33.0	0.9	2.7%
Total revenue	423.8	390.6	33.2	8.5%	1,203.4	1,124.6	78.8	7.0%
Revenue by geographical locations								
Malaysia	400.5	371.3	29.2	7.9%	1,137.9	1,073.2	64.7	6.0%
Singapore	23.3	19.3	4.0	20.7%	65.5	51.4	14.1	27.4%
Total revenue	423.8	390.6	33.2	8.5%	1,203.4	1,124.6	78.8	7.0%
Operating profit	111.3	114.8	(3.5)	(3.0)%	298.6	291.8	6.8	2.3%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	30.09.2019	30.09.2018	Amount	% / ppt (*)	30.09.2019	30.09.2018	Amount	% / ppt (*)
Profit before tax by segments								
General insurance (RM'mil)	98.1	103.2	(5.1)	(4.9)%	271.9	267.8	4.1	1.5%
Investment holding (RM'mil)	13.3	13.4	(0.1)	(0.7)%	27.5	27.3	0.2	0.7%
Total profit before tax	111.4	116.6	(5.2)	(4.5)%	299.4	295.1	4.3	1.5%
Profit before tax by geographical locations								
Malaysia (RM'mil)	110.7	112.0	(1.3)	(1.2)%	293.7	287.8	5.9	2.1%
Singapore (RM'mil)	0.1	2.8	(2.7)	(96.4)%	3.9	4.0	(0.1)	(2.5)%
Cambodia (RM'mil)	0.6	1.8	(1.2)	(66.7)%	1.8	3.3	(1.5)	(45.5)%
Total profit before tax	111.4	116.6	(5.2)	(4.5)%	299.4	295.1	4.3	1.5%
Profit attributable to owners of the Company (RM'mil)	87.8	91.8	(4.0)	(4.4)%	235.8	230.0	5.8	2.5%
Net return on equity (%)	4.6	4.4	-	0.2 ppt	12.3	11.0	-	1.3 ppt
Earnings per share (sen)	22.04	23.04	(1.00)	(4.3)%	59.18	57.74	1.44	2.5%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	30.09.2019	30.09.2018	Amount	% / ppt (*)	30.09.2019	30.09.2018	Amount	% / ppt (*)
General insurance gross written premiums (RM' mil)	380.0	378.1	1.9	0.5%	1,207.6	1,165.1	42.5	3.6%
General insurance net earned premiums (RM' mil)	258.3	235.2	23.1	9.8%	746.0	676.7	69.3	10.2%
General insurance underwriting profit (RM' mil)	75.7	82.2	(6.5)	(7.9)%	208.3	212.4	(4.1)	(1.9)%
General insurance claims incurred ratio (%)	43.6	37.2	-	6.4 ppt	45.2	41.6	-	3.6 ppt
General insurance management expenses ratio (%)	19.5	20.2	-	(0.7) ppt	20.1	21.2	-	(1.1) ppt
General insurance commission ratio (%)	7.7	7.7	-	-	6.7	5.9	-	0.8 ppt
General insurance combined ratio (%)	70.8	65.1	-	5.7 ppt	72.0	68.7	-	3.3 ppt

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gross written premiums	149,246	168,377	93,248	88,801	14,454	14,009	123,097	106,880	380,045	378,067
Change in unearned premiums provision	19,292	(15,756)	(5,737)	(9,659)	6,680	6,008	(9,872)	(687)	10,363	(20,094)
Gross earned premiums	168,538	152,621	87,511	79,142	21,134	20,017	113,225	106,193	390,408	357,973
Gross written premiums ceded to reinsurers	(55,060)	(52,588)	(4,219)	(4,265)	(9,941)	(9,480)	(59,604)	(41,676)	(128,824)	(108,009)
Change in unearned premiums provision	(7,062)	(4,754)	(202)	(1,903)	(7,224)	(6,220)	11,226	(1,936)	(3,262)	(14,813)
Premiums ceded to reinsurers	(62,122)	(57,342)	(4,421)	(6,168)	(17,165)	(15,700)	(48,378)	(43,612)	(132,086)	(122,822)
Net earned premiums	106,416	95,279	83,090	72,974	3,969	4,317	64,847	62,581	258,322	235,151
Net claims incurred	(13,406)	(10,279)	(59,408)	(46,897)	(1,374)	(913)	(38,334)	(29,308)	(112,522)	(87,397)
Commission income	11,931	10,955	399	756	1,411	1,226	10,771	10,982	24,512	23,919
Commission expense	(19,221)	(18,142)	(8,484)	(7,680)	(969)	(1,098)	(15,665)	(14,998)	(44,339)	(41,918)
Net commission	(7,290)	(7,187)	(8,085)	(6,924)	442	128	(4,894)	(4,016)	(19,827)	(17,999)
Total out-go	(20,696)	(17,466)	(67,493)	(53,821)	(932)	(785)	(43,228)	(33,324)	(132,349)	(105,396)
Underwriting surplus before management expenses	85,720	77,813	15,597	19,153	3,037	3,532	21,619	29,257	125,973	129,755
Management expenses of the insurance fund									(50,307)	(47,530)
Underwriting surplus after management expenses									75,666	82,225
Net claims incurred ratio (%)	12.6	10.8	71.5	64.3	34.6	21.1	59.1	46.8	43.6	37.2

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gross written premiums	502,854	499,873	264,316	246,253	79,175	61,817	361,214	357,146	1,207,559	1,165,089
Change in unearned premiums provision	(33,217)	(55,907)	(11,717)	(17,454)	(12,980)	(5,282)	(33,039)	(43,103)	(90,953)	(121,746)
Gross earned premiums	469,637	443,966	252,599	228,799	66,195	56,535	328,175	314,043	1,116,606	1,043,343
Gross written premiums ceded to reinsurers	(179,477)	(174,935)	(11,989)	(11,448)	(64,461)	(46,563)	(170,373)	(162,186)	(426,300)	(395,132)
Change in unearned premiums provision	16,337	16,117	(784)	(7,776)	12,443	3,930	27,660	16,203	55,656	28,474
Premiums ceded to reinsurers	(163,140)	(158,818)	(12,773)	(19,224)	(52,018)	(42,633)	(142,713)	(145,983)	(370,644)	(366,658)
Net earned premiums	306,497	285,148	239,826	209,575	14,177	13,902	185,462	168,060	745,962	676,685
Net claims incurred	(40,399)	(36,874)	(172,536)	(156,980)	(4,226)	(2,453)	(120,379)	(85,204)	(337,540)	(281,511)
Commission income	34,210	33,992	1,233	2,698	5,739	4,603	36,925	39,303	78,107	80,596
Commission expense	(55,835)	(52,309)	(24,363)	(21,688)	(3,151)	(3,595)	(44,848)	(42,608)	(128,197)	(120,200)
Net commission	(21,625)	(18,317)	(23,130)	(18,990)	2,588	1,008	(7,923)	(3,305)	(50,090)	(39,604)
Total out-go	(62,024)	(55,191)	(195,666)	(175,970)	(1,638)	(1,445)	(128,302)	(88,509)	(387,630)	(321,115)
Underwriting surplus before management expenses	244,473	229,957	44,160	33,605	12,539	12,457	57,160	79,551	358,332	355,570
Management expenses of the insurance fund									(150,041)	(143,174)
Underwriting surplus after management expenses									208,291	212,396
Net claims incurred ratio (%)	13.2	12.9	71.9	74.9	29.8	17.6	64.9	50.7	45.2	41.6

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Revenue

For the quarter ended 30 September 2019, the Group's revenue grew by RM33.2 million to RM423.8 million from RM390.6 million in the third quarter of 2018, an increase of 8.5% as compared to the corresponding quarter last year. The increase was mainly driven by growth in gross earned premium of 9.1% or RM32.4 million from its general insurance segment. Investment holding segment recorded lower revenue of RM15.0 million as compared to RM15.2 million in the corresponding quarter in 2018 due to lower interest income received.

Revenue of the Group for the nine months period ended 30 September 2019 grew by 7.0% or RM78.8 million to RM1,203.4 million from RM1,124.6 million in the corresponding period in 2018. Of the total amount of RM1,203.4 million, RM1,169.5 million was generated from general insurance segment and RM33.9 million from investment holding segment. The growth in revenue was largely contributed by the general insurance segment, which registered an increase of 7.1% to RM1,169.5 million compared to RM1,091.6 million in 30 September 2018. The investment holding segment recorded higher revenue of RM33.9 million as compared to RM33.0 million in 2018 mainly due to higher dividend income received during the current financial period.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Profit Before Tax

Profit before tax of the Group for the third quarter of 2019 decreased by 4.5% to RM111.4 million from RM116.6 million in the corresponding quarter in 2018. The decrease mainly came from the general insurance segment, which decreased by 4.9% to RM98.1 million from RM103.2 million in the third quarter of 2018. Underwriting profit for the current quarter decreased by 7.9% to RM75.7 million from RM82.2 million previously mainly due to higher claims incurred. The investment holding segment recorded a lower profit of RM13.3 million as compared to RM13.4 million in the corresponding quarter in 2018 mainly due to lower interest income received.

Profit before tax of the Group for the nine months period ended 30 September 2019 grew by 1.5% or RM4.3 million to RM299.4 million from RM295.1 million in the corresponding period in 2018. The increase was contributed by profit from general insurance segment, which increased by 1.5% or RM4.1 million to RM271.9 million from RM267.8 million in the corresponding period in 2018. The investment holding segment recorded a higher profit before tax of RM27.5 million as compared to RM27.3 million in the corresponding period in 2018 due to higher dividend income received.

Business operation in Malaysia contributed 99.4% of the Group's total profit before tax for the third quarter of 2019 and 98.1% for the nine months period ended 30 September 2019.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 30.09.2019	Preceding Year Corresponding Quarter Ended 30.09.2018	Current Year To Date Ended 30.09.2019	Preceding Year Corresponding Period Ended 30.09.2018
RM' mil				
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	(0.1)	3.5	-	0.4
Items that will not be reclassified to profit or loss				
Net (losses)/gains on investments in equity instruments designated at fair value through other comprehensive income	(128.6)	72.2	(206.2)	185.9
Income tax relating to these items	0.8	(0.1)	1.3	-
Total other comprehensive (loss)/income for the period, net of tax	(127.9)	75.6	(204.9)	186.3

The Group's total other comprehensive income for the nine months ended 30 September 2019 recorded a net loss of RM204.9 million as compared to a net gain of RM186.3 million in the corresponding period in 2018. The decrease was mainly due to unrealised fair value loss on its investment in quoted equities.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 5: Review of assets and liabilities

RM'mil	As at 30.09.2019	As at 31.12.2018	Changes	
			Amount	%
Total assets	4,137.8	4,240.6	(102.8)	(2.4)
Total liabilities	2,225.0	2,083.8	141.2	6.8
Total equity	1,912.8	2,156.8	(244.0)	(11.3)

Total assets

As at 30 September 2019, the Group's total assets decreased by RM102.8 million to RM4,137.8 million from RM4,240.6 million as at 31 December 2018. The decrease was mainly due to lower market value of quoted equity investment designated at fair value through other comprehensive income, offset by the recognition of right-of-use assets upon the adoption of MFRS 16 and growth in insurance receivables. The general insurance segment accounted for 75.9% of the Group's total assets as at 30 September 2019.

Total liabilities

As at 30 September 2019, total liabilities of the Group increased to RM2,225.0 million from RM2,083.8 million as at 31 December 2018. This mainly consists of RM55.3 million increase in insurance contract liabilities, RM48.4 million in lease liabilities and RM28.4 million in insurance payables of its general insurance segment.

Total equity

The Group's total equity dropped by 11.3% or RM244.0 million to RM1,912.8 million from RM2,156.8 million as at 31 December 2018 mainly due to decrease in retained earnings after the payment of dividends amounting to RM274.9 million, offset by RM235.8 million net profit generated during the current financial period, as well as decrease in fair value reserve of RM204.9 million on its investment in equities. As a result, the Group's net tangible asset per share decreased to RM4.80 from RM5.41 as at 31 December 2018.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

Exchange rate as at 30.09.2019 SGD1.00 = RM3.04	Functional Currency SGD'000	Reporting Currency RM'000
Gross earned premiums	20,268	61,614
Investment income	1,290	3,922
Total revenue	21,558	65,536
Profit before tax	1,292	3,928
Profit after tax	1,270	3,861
Total assets	63,883	194,203
Total liabilities	54,621	166,049

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 30.09.2019	Preceding Year Corresponding Period Ended 30.09.2018
Profit after tax	235.8	230.0
Net cash flows generated from operating activities	72.4	291.0
Net cash flows used in investing activities	(2.1)	(2.7)
Net cash flows used in financing activities	(279.7)	(254.0)
Net decrease in cash and cash equivalents	(209.4)	34.3
Cash and cash equivalents at 1 January	418.5	294.4
Effect of movement in exchange rates	0.2	0.4
Cash and cash equivalents at 30 September	209.3	329.1

For the nine months ended 30 September 2019, the operating cash flow of the Group remains healthy at RM72.4 million. The movement was mainly due to the Group having invested more cash into longer term assets for the current financial period under review. The group's fixed deposits with tenure more than 3 months (classified as loans and receivable) increased by RM178.2 million and investment in unit trusts (classified as fair value through profit or loss) increased by RM126.8 million.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Review of statement of cash flow (continued)

The Group had relatively low spending on plant and equipment as its core business of underwriting of general insurance. The Group's capital expenditure for the current financial period under review was RM2.1 million. The Group's main investing activities are in information technology and purchase of computer equipment.

The Group's balance sheet does not carry any debts other than insurance contract liabilities which increased by RM55.3 million to RM1,914.3 million for the nine months period ended 30 September 2019. The Group had generated sufficient cash flow to pay dividends amounting to RM274.9 million (consist of RM167.3 million second interim dividend for the financial year ended 2018 and RM107.6 million first interim dividend for financial year ending 2019) 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 30.09.2019	Immediate Preceding Quarter Ended 30.06.2019	Changes	
			Amount	% / ppt
Gross earned premiums (RM'mil)	390.4	368.0	22.4	6.1%
Investment income (RM'mil)	33.4	18.9	14.5	76.7%
Total revenue (RM'mil)	423.8	386.9	36.9	9.5%
Operating profit (RM'mil)	111.3	92.4	18.9	20.5%
Profit before tax (RM'mil)	111.4	92.6	18.8	20.3%
Profit attributable to owners of the Company (RM'mil)	87.8	70.8	17.0	24.0%
Net return on equity (%)	4.6	3.4	-	1.2 ppt
Earnings per share (sen)	22.04	17.77	4.27	24.0%
General insurance gross written premiums (RM'mil)	380.0	366.6	13.4	3.7%
General insurance net earned premiums (RM'mil)	258.3	252.0	6.3	2.5%
General insurance underwriting profit (RM'mil)	75.7	73.0	2.7	3.7%
General insurance claims incurred ratio (%)	43.6	44.9	-	(1.3) ppt
General insurance management expenses ratio (%)	19.5	19.0	-	0.5 ppt
General insurance commission ratio (%)	7.7	7.1	-	0.6 ppt
General insurance combined ratio (%)	70.8	71.0	-	(0.2) ppt

For the third quarter ended 30 September 2019, the Group recorded a higher profit before tax of RM111.4 million as compared to RM92.6 million in the preceding quarter ended 30 June 2019. The improved performance was due to better underwriting experience and higher investment income received.

B3. CURRENT YEAR PROSPECTS

- a) The remaining period of 2019 is expected to remain challenging as economic conditions are not expected to improve soon. We have taken steps to consolidate our market position and are reviewing portfolios where performances have not been up to expectation. In this competitive and volatile environment, we will focus on building a sustainable portfolio that will add value to our shareholders.
- 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 <u>30.09.2019</u>	Preceding Year Corresponding Quarter Ended <u>30.09.2018</u>	Current Year To Date Ended <u>30.09.2019</u>	Preceding Year Corresponding Period Ended <u>30.09.2018</u>
Profit before tax	111,359	116,635	299,428	295,090
Income tax:				
Current tax charge	24,078	24,665	64,409	65,327
(Over) / Under provision in prior year	(1,057)	181	(1,057)	181
Deferred taxation	520	(19)	318	(464)
Total tax expense	23,541	24,827	63,670	65,044
Effective tax rate on current tax charge	22%	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 2019 is lower than the statutory tax rate mainly due to tax-exempt dividends received and certain income being taxed at a reduced rate.

B7. STATUS OF CORPORATE PROPOSALS

- a) There was no corporate proposal announced but not completed as at 8 October 2019, the latest practicable date which is not earlier than 7 days from the date of the issue of this quarterly report.
- b) Brief explanation of the status of utilisation of proceeds raised from any corporate proposal – Not Applicable.

B8. GROUP BORROWINGS AND DEBT SECURITIES

The Group has no outstanding borrowings and debt securities for the current interim period ended 30 September 2019.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 September 2019. – Not Applicable.

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

There were no gains/ losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 30 September 2019.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 8 October 2019, 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 2019 was 27.00 sen single tier dividend per share.

B13. EARNINGS PER SHARE

a) Basic earnings per share

	Individual Period		Cumulative Period	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	<u>30.09.2019</u>	<u>30.09.2018</u>	<u>30.09.2019</u>	<u>30.09.2018</u>
Profit after tax (RM'000)	87,818	91,808	235,758	230,046
Weighted average no. of ordinary shares in issue ('000)	398,383	398,383	398,383	398,383
Basic earnings per share (sen)	22.04	23.04	59.18	57.74

b) Diluted earnings per share. – Not Applicable.

B14. PROFIT FOR THE PERIOD

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <u>30.09.2019</u> RM'000	Preceding Year Corresponding Quarter Ended <u>30.09.2018</u> RM'000	Current Year To Date Ended <u>30.09.2019</u> RM'000	Preceding Year Corresponding Period Ended <u>30.09.2018</u> RM'000
Profit for the period is arrived at after charging:				
Finance costs	536	-	970	4
Depreciation of plant and equipment (NI)	1,341	899	3,551	2,630
Depreciation of right-of-use assets (NI)	1,690	-	5,274	-
Loss on disposal of unquoted investment (N3)	-	2	-	70
Net impairment loss on insurance receivables	-	-	1,869	580
Net impairment loss on investment carried at amortised cost	-	1	-	6
Net foreign exchange loss (NI)	-	5	-	-

B14. PROFIT FOR THE PERIOD (CONTINUED)

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <u>30.09.2019</u> RM'000	Preceding Year Corresponding Quarter Ended <u>30.09.2018</u> RM'000	Current Year To Date Ended <u>30.09.2019</u> RM'000	Preceding Year Corresponding Period Ended <u>30.09.2018</u> RM'000
and after crediting:				
Interest income (N2)	16,074	17,487	48,621	49,446
Dividend income (N2)	17,152	14,898	37,588	31,114
Rental income (N2)	207	234	630	735
Net reversal of impairment loss on insurance receivables	728	22	-	-
Net reversal of impairment loss on investments carried at amortised cost	3	-	9	-
Write back of impairment loss on other receivables (NI)	-	438	-	438
Net foreign exchange gain (NI)	122	-	237	90

B14. PROFIT FOR THE PERIOD (CONTINUED)

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

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

B15. ADDITIONAL DISCLOSURE INFORMATION

Trade receivables

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

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

Age analysis of trade receivables past due but not impaired:

	<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
30.09.2019						
Insurance receivables	32,208	7,182	3,214	4,308	274	47,186
31.12.2018						
Insurance receivables	4,681	2,815	1,377	-	-	8,873

The past due trade receivables above are collectable.

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

B15. ADDITIONAL DISCLOSURE INFORMATION (CONTINUED)

Trade receivables (continued)

RM'000

	30.09.2019				31.12.2018			
	12-months ECL Corporate bonds and sukuk	Due from reinsurers and cedants	Lifetime ECL Due premiums including agents and brokers and co-insurers	Total	12-months ECL Corporate bonds and sukuk	Due from reinsurers and cedants	Lifetime ECL Due premiums including agents and brokers and co-insurers	Total
As at 1 January 2019 under MFRS 9/ 1 January 2018 under MFRS 139	22	101	2,056	2,179	-	-	38	38
Changes on initial application of MFRS 9	-	-	-	-	13	80	792	885
As at 1 January 2019/ 1 January 2018 under MFRS 9	22	101	2,056	2,179	13	80	830	923
Net remeasurement of allowance for impairment	(9)	27	1,842	1,860	9	21	1,264	1,294
Bad debts written off against impairment allowance	-	-	-	-	-	-	(38)	(38)
As at 30 September 2019/ 31 December 2018	13	128	3,898	4,039	22	101	2,056	2,179

B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

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