

LPI CAPITAL BHD
Condensed Consolidated Statement of Profit or Loss for the Quarter Ended 31 March 2020 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31.03.2020 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2019 RM'000	Current Year To Date Ended 31.03.2020 RM'000	Preceding Year Corresponding Period Ended 31.03.2019 RM'000
Operating revenue	403,908	392,702	403,908	392,702
Gross written premiums	485,995	460,887	485,995	460,887
Change in unearned premiums provision	(118,456)	(102,663)	(118,456)	(102,663)
Gross earned premiums	367,539	358,224	367,539	358,224
Gross written premiums ceded to reinsurers	(191,446)	(179,552)	(191,446)	(179,552)
Change in unearned premiums provision	61,017	56,963	61,017	56,963
Premiums ceded to reinsurers	(130,429)	(122,589)	(130,429)	(122,589)
Net earned premiums	237,110	235,635	237,110	235,635
Investment income	36,369	34,478	36,369	34,478
Fair value gains	-	733	-	733
Commission income	37,174	28,521	37,174	28,521
Net reversal of impairment loss on investments carried at amortised cost	-	3	-	3
Other operating income	1,446	1,682	1,446	1,682
Other income	74,989	65,417	74,989	65,417
Gross claims paid	(139,821)	(122,430)	(139,821)	(122,430)
Claims ceded to reinsurers	42,770	28,985	42,770	28,985
Gross change in claims liabilities	6,132	(28,431)	6,132	(28,431)
Change in claims liabilities ceded to reinsurers	(18,778)	10,099	(18,778)	10,099
Net claims incurred	(109,697)	(111,777)	(109,697)	(111,777)
Fair value losses	(7,953)	-	(7,953)	-
Commission expense	(43,522)	(40,833)	(43,522)	(40,833)
Management expenses	(53,164)	(50,053)	(53,164)	(50,053)
Net impairment loss on insurance receivables	(868)	(3,515)	(868)	(3,515)
Net impairment loss on investments carried at amortised cost	(1)	-	(1)	-
Other expenses	(105,508)	(94,401)	(105,508)	(94,401)
Operating profit	96,894	94,874	96,894	94,874
Finance cost	(471)	(190)	(471)	(190)
Share of profit after tax of equity accounted associated company	1,493	760	1,493	760
Profit before tax	97,916	95,444	97,916	95,444
Tax expense	(19,999)	(18,286)	(19,999)	(18,286)
Profit for the period	77,917	77,158	77,917	77,158
Profit attributable to:				
Owners of the Company	77,917	77,158	77,917	77,158
Earnings per ordinary share (sen)				
- Basic	19.56	19.37	19.56	19.37
- 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 2019.

LPI CAPITAL BHD

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter Ended 31 March 2020 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31.03.2020 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2019 RM'000	Current Year To Date Ended 31.03.2020 RM'000	Preceding Year Corresponding Period Ended 31.03.2019 RM'000
Profit for the period	77,917	77,158	77,917	77,158
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	1,580	(1,859)	1,580	(1,859)
Items that will not be reclassified to profit or loss				
Net losses on investments in equity instruments designated at fair value through other comprehensive income	(155,944)	(70,458)	(155,944)	(70,458)
Income tax relating to these items	963	418	963	418
Total other comprehensive loss for the period, net of tax	(153,401)	(71,899)	(153,401)	(71,899)
Total comprehensive (loss)/income for the period attributable to owners of the Company	(75,484)	5,259	(75,484)	5,259

Note : The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2019.

LPI CAPITAL BHD

Condensed Consolidated Statement of Financial Position As At 31 March 2020 - Unaudited

	As At <u>31.03.2020</u>	As At <u>31.12.2019</u>
	RM'000	RM'000
Assets		
Plant and equipment	7,029	7,033
Right-of-use assets	45,444	46,732
Investment properties	27,360	27,540
Intangible assets	10,115	10,514
Investment in an associated company	36,880	33,064
Other investments	1,334,894	1,265,567
Fair value through other comprehensive income	700,536	856,505
Fair value through profit or loss	556,450	326,062
Amortised cost	77,908	83,000
Reinsurance assets	773,815	731,806
Loans and receivables, excluding insurance receivables	1,342,766	1,539,910
Insurance receivables	255,873	149,778
Deferred acquisition costs	39,898	43,877
Current tax assets	3,881	3,881
Cash and cash equivalents	105,471	186,188
Total assets	<u>3,983,426</u>	<u>4,045,890</u>
Equity		
Share capital	398,383	398,383
Reserves	1,326,727	1,573,516
Total equity	<u>1,725,110</u>	<u>1,971,899</u>
Liabilities		
Insurance contract liabilities	1,918,691	1,807,222
Deferred tax liabilities	371	3,375
Lease liabilities	46,285	47,375
Insurance payables	172,089	93,289
Other payables	96,894	100,491
Current tax payables	23,986	22,239
Total liabilities	<u>2,258,316</u>	<u>2,073,991</u>
Total equity and liabilities	<u>3,983,426</u>	<u>4,045,890</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 2019.

LPI CAPITAL BHD

Condensed Consolidated Statement of Changes in Equity for the Period Ended 31 March 2020 - 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>3 Months Period Ended 31 March 2020</u>					
At 1 January 2020	398,383	23,852	697,450	852,214	1,971,899
Foreign currency translation differences for foreign operation	-	1,580	-	-	1,580
Net losses on investments in equity instruments designated at fair value through other comprehensive income	-	-	(154,981)	-	(154,981)
Total other comprehensive income/(loss) for the period	-	1,580	(154,981)	-	(153,401)
Profit for the period	-	-	-	77,917	77,917
Total comprehensive income/(loss) for the period	-	1,580	(154,981)	77,917	(75,484)
Distributions to owners of the Company					
Dividends to owners of the Company	-	-	-	(171,305)	(171,305)
Total transaction with owners of the Company	-	-	-	(171,305)	(171,305)
At 31 March 2020	398,383	25,432	542,469	758,826	1,725,110

LPI CAPITAL BHD

Condensed Consolidated Statement of Changes in Equity for the Period Ended 31 March 2020 - 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
At 1 January 2019	398,383	23,283	930,382	804,737	2,156,785
Foreign currency translation differences for foreign operation	-	(1,859)	-	-	(1,859)
Net losses on investments in equity instruments designated at fair value through other comprehensive income	-	-	(70,040)	-	(70,040)
Total other comprehensive loss for the period	-	(1,859)	(70,040)	-	(71,899)
Profit for the period	-	-	-	77,158	77,158
Total comprehensive (loss)/income for the period	-	(1,859)	(70,040)	77,158	5,259
Distributions to owners of the Company					
Dividends to owners of the Company	-	-	-	(167,321)	(167,321)
Total transaction with owners of the Company	-	-	-	(167,321)	(167,321)
At 31 March 2019	398,383	21,424	860,342	714,574	1,994,723

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 2019.

LPI CAPITAL BHD**Condensed Consolidated Statement of Cash Flow
for the Period Ended 31 March 2020 - Unaudited**

	Current Year To Date Ended <u>31.03.2020</u> RM'000	Preceding Year Corresponding Period Ended <u>31.03.2019</u> RM'000
Operating activities		
Profit before tax	97,916	95,444
Investment income	(36,369)	(34,478)
Net fair value losses/(gains) recorded in profit or loss	7,953	(733)
Share of profit of equity accounted associated company	(1,493)	(760)
Purchase of financial assets carried at fair value through profit or loss	(238,469)	(311)
Maturity of financial assets carried at amortised cost	5,000	5,000
Interest on lease liabilities	471	190
Non-cash items:		
Depreciation of plant and equipment	750	840
Depreciation of right-of-use assets	1,637	1,791
Amortisation of intangible assets	702	-
Unrealised foreign exchange gain	(530)	(14)
Net impairment loss on insurance receivables	868	3,515
Net impairment loss/(Net reversal of impairment loss) on investments carried at amortised cost	1	(3)
Changes in working capital:		
Decrease in loans and receivables	196,896	38,420
Increase in reinsurance assets	(42,238)	(67,062)
Increase in insurance receivables	(107,061)	(105,018)
Decrease in deferred acquisition costs	3,965	3,668
Increase in insurance contract liabilities	112,324	131,094
Increase in insurance payables	78,811	89,748
Decrease in other payables	(3,487)	(8,945)
Cash generated from operating activities	77,647	152,386
Dividend income received	20,997	18,297
Interest income received	15,216	15,994
Rental income on investment property received	200	211
Interest paid	(471)	(190)
Income tax paid	(20,288)	(18,474)
Net cash flows generated from operating activities	93,301	168,224

LPI CAPITAL BHD

Condensed Consolidated Statement of Cash Flow for the Period Ended 31 March 2020 - Unaudited (continued)

	Current Year To Date Ended 31.03.2020 RM'000	Preceding Year Corresponding Period Ended 31.03.2019 RM'000
Investing activities		
Purchase of plant and equipment	(755)	(496)
Purchase of intangible assets	(307)	-
Net cash flows used in investing activities	(1,062)	(496)
Financing activities		
Dividends paid to owners of the Company	(171,305)	(167,321)
Payment of lease liabilities	(1,438)	(1,648)
Net cash flows used in financing activities	(172,743)	(168,969)
Net decrease in cash and cash equivalents	(80,504)	(1,241)
Cash and cash equivalents at 1 January	186,188	418,509
Effect of movement in exchange rates	(213)	(1,025)
Cash and cash equivalents at 31 March	105,471	416,243

Note : The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2019.

**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 2019 (“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
Amendments to MFRS 3, <i>Business Combination – Definition of a Business</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements</i> and MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material</i>	1 January 2020
Amendments to MFRS 9, <i>Financial Instruments</i> , MFRS 139, <i>Financial Instruments: Recognition and Measurement</i> and MFRS 7, <i>Financial Instruments: Disclosures – Interest Rate Benchmark Reform</i>	1 January 2020

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.

A2. COMMENTS ON SEASONALITY OR CYCLICALITY

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

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

A3. UNUSUAL 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 31 March 2020.

A4. CHANGES IN ESTIMATES

The preparation of these condensed consolidated interim financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

A5. 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 31 March 2020.

A6. DIVIDEND PAID

In the current interim period ended 31 March 2020, the Company paid a second interim single tier dividend of 43.00 sen per ordinary share amounting to RM171,304,584 in respect of the financial year ended 31 December 2019 on 26 February 2020.

A7. 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	← 3 Months Ended →					
	General insurance		Investment holding		Total	
	2020	2019	2020	2019	2020	2019
External revenue	385,659	375,182	18,249	17,520	403,908	392,702
Inter-segment revenue	-	-	130,000	130,000	130,000	130,000
Segment profit before tax	81,606	79,908	146,310	145,536	227,916	225,444
Segment assets	3,191,598	3,187,462	991,828	1,321,977	4,183,426	4,509,439
Segment liabilities	2,255,740	2,312,502	2,576	2,214	2,258,316	2,314,716

A7. OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

i) Reconciliation of reportable segment profit:

RM'000	← 3 Months Ended →	
	<u>2020</u>	<u>2019</u>
Total profit for reportable segments	227,916	225,444
Elimination of inter-segment profit	(130,000)	(130,000)
Consolidated profit before tax	<u>97,916</u>	<u>95,444</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 3 Months Ended →	
	<u>2020</u>	<u>2019</u>
Total assets for reportable segments	4,183,426	4,509,439
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	<u>3,983,426</u>	<u>4,309,439</u>

A8. EVENTS AFTER THE INTERIM PERIOD

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

A9. EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP

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

A10. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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.

A11. 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.

A11. 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		
31.03.2020										
Financial assets										
<i>Designated at fair value through other comprehensive income</i>										
- Quoted shares	700,536	-	-	700,536	-	-	-	-	700,536	700,536
<i>Mandatorily at fair value through profit or loss</i>										
- Unit trust	462,356	-	-	462,356	-	-	-	-	462,356	462,356
- Real estate investment trusts ("REITs")	2,554	-	-	2,554	-	-	-	-	2,554	2,554
- Exchange-traded fund ("ETF")	544	-	-	544	-	-	-	-	544	544
- Quoted shares	2,888	-	-	2,888	-	-	-	-	2,888	2,888
- Unquoted shares	-	-	1,312	1,312	-	-	-	-	1,312	1,312
- Corporate bonds and sukuk	-	86,796	-	86,796	-	-	-	-	86,796	86,796
<i>Amortised cost</i>										
- Malaysian government guaranteed loans	-	-	-	-	-	40,907	-	40,907	40,907	40,005
- Corporate bonds and sukuk	-	-	-	-	-	38,407	-	38,407	38,407	37,903
	1,168,878	86,796	1,312	1,256,986	-	79,314	-	79,314	1,336,300	1,334,894

A11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

31.12.2019

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	856,505	-	-	856,505	-	-	-	-	856,505	856,505
<i>Mandatorily at fair value through profit or loss</i>										
- Unit trust	235,519	-	-	235,519	-	-	-	-	235,519	235,519
- Real estate investment trusts ("REITs")	2,466	-	-	2,466	-	-	-	-	2,466	2,466
- Exchange-traded fund ("ETF")	714	-	-	714	-	-	-	-	714	714
- Quoted shares	3,734	-	-	3,734	-	-	-	-	3,734	3,734
- Unquoted shares	-	-	1,312	1,312	-	-	-	-	1,312	1,312
- Corporate bonds and sukuk	-	82,317	-	82,317	-	-	-	-	82,317	82,317
<i>Amortised cost</i>										
- Malaysian government guaranteed loans	-	-	-	-	-	40,904	-	40,904	40,904	40,010
- Corporate bonds and sukuk	-	-	-	-	-	43,640	-	43,640	43,640	42,990
	<u>1,098,938</u>	<u>82,317</u>	<u>1,312</u>	<u>1,182,567</u>	<u>-</u>	<u>84,544</u>	<u>-</u>	<u>84,544</u>	<u>1,267,111</u>	<u>1,265,567</u>

A11. 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 31 March 2020 (31.12.2019: no transfer in either directions).

Level 3 fair value

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

	2020	2019
	RM'000	RM'000
Unquoted shares		
As at 1 January	1,312	1,328
Fair value losses in profit or loss	-	(16)
Balance as at 31 March 2020 / 31 December 2019	<u>1,312</u>	<u>1,312</u>

A11. 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

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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.

A12. CAPITAL AND OTHER COMMITMENTS

RM'000	<u>31.03.2020</u>	<u>31.12.2019</u>
Capital expenditure commitments		
Intangible assets		
Contracted but not provided for	3,529	3,728

A13. 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	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Income earned:				
Premium income	284	269	26,636	26,199
Dividend income	-	-	17,864	16,499
Fixed deposits income	-	-	2,953	1,738
Corporate bonds and sukuk income	-	-	406	774
	<u>284</u>	<u>269</u>	<u>47,859</u>	<u>45,210</u>
Expenditure incurred:				
Rental paid	-	-	(835)	(729)
Insurance commission	(81)	(74)	(12,915)	(13,727)
Stock broking commission	-	-	(1)	-
	<u>(81)</u>	<u>(74)</u>	<u>(13,751)</u>	<u>(14,456)</u>

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		
	31.03.2020	31.03.2019	Amount	% / ppt (*)	31.03.2020	31.03.2019	Amount	% / ppt (*)
Revenue by segments								
General insurance segment	385.7	375.2	10.5	2.8%	385.7	375.2	10.5	2.8%
Gross earned premiums	367.5	358.2	9.3	2.6%	367.5	358.2	9.3	2.6%
Investment income	18.2	17.0	1.2	7.1%	18.2	17.0	1.2	7.1%
Investment holding segment								
Investment income	18.2	17.5	0.7	4.0%	18.2	17.5	0.7	4.0%
Total revenue	403.9	392.7	11.2	2.9%	403.9	392.7	11.2	2.9%
Revenue by geographical locations								
Malaysia	378.5	372.7	5.8	1.6%	378.5	372.7	5.8	1.6%
Singapore	25.4	20.0	5.4	27.0%	25.4	20.0	5.4	27.0%
Total revenue	403.9	392.7	11.2	2.9%	403.9	392.7	11.2	2.9%
Operating profit	96.9	94.9	2.0	2.1%	96.9	94.9	2.0	2.1%

(* 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		
	31.03.2020	31.03.2019	Amount	% / ppt (*)	31.03.2020	31.03.2019	Amount	% / ppt (*)
Profit before tax by segments								
General insurance (RM'mil)	81.6	79.9	1.7	2.1%	81.6	79.9	1.7	2.1%
Investment holding (RM'mil)	16.3	15.5	0.8	5.2%	16.3	15.5	0.8	5.2%
Total profit before tax	97.9	95.4	2.5	2.6%	97.9	95.4	2.5	2.6%
Profit before tax by geographical locations								
Malaysia (RM'mil)	94.2	92.7	1.5	1.6%	94.2	92.7	1.5	1.6%
Singapore (RM'mil)	2.2	1.9	0.3	15.8%	2.2	1.9	0.3	15.8%
Cambodia (RM'mil)	1.5	0.8	0.7	87.5%	1.5	0.8	0.7	87.5%
Total profit before tax	97.9	95.4	2.5	2.6%	97.9	95.4	2.5	2.6%
Profit attributable to owners of the Company (RM'mil)	77.9	77.2	0.7	0.9%	77.9	77.2	0.7	0.9%
Net return on equity (%)	4.5	3.9	-	0.6 ppt	4.5	3.9	-	0.6 ppt
Earnings per share (sen)	19.56	19.37	0.19	1.0%	19.56	19.37	0.19	1.0%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	Preceding Year Corresponding Period Ended		
	31.03.2020	31.03.2019	Amount	% / ppt (*)	31.03.2020	31.03.2019	Amount	% / ppt (*)
General insurance gross written premiums (RM'mil)	486.0	460.9	25.1	5.4%	486.0	460.9	25.1	5.4%
General insurance net earned premiums (RM'mil)	237.1	235.6	1.5	0.6%	237.1	235.6	1.5	0.6%
General insurance underwriting profit (RM'mil)	68.4	59.6	8.8	14.8%	68.4	59.6	8.8	14.8%
General insurance claims incurred ratio (%)	46.3	47.4	-	(1.1) ppt	46.3	47.4	-	(1.1) ppt
General insurance management expenses ratio (%)	22.2	22.0	-	0.2 ppt	22.2	22.0	-	0.2 ppt
General insurance commission ratio (%)	2.7	5.2	-	(2.5) ppt	2.7	5.2	-	(2.5) ppt
General insurance combined ratio (%)	71.2	74.6	-	(3.4) ppt	71.2	74.6	-	(3.4) ppt

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 3: Underwriting results of general insurance for the financial period ended 31 March:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Gross written premiums	201,889	204,497	92,157	88,038	21,902	29,582	170,047	138,770	485,995	460,887
Change in unearned premiums provision	(56,965)	(53,440)	(3,266)	(6,909)	735	(6,113)	(58,960)	(36,201)	(118,456)	(102,663)
Gross earned premiums	144,924	151,057	88,891	81,129	22,637	23,469	111,087	102,569	367,539	358,224
Gross written premiums ceded to reinsurers	(85,286)	(85,746)	(4,208)	(3,997)	(17,373)	(23,608)	(84,579)	(66,201)	(191,446)	(179,552)
Change in unearned premiums provision	27,492	30,659	841	(507)	(314)	5,510	32,998	21,301	61,017	56,963
Premiums ceded to reinsurers	(57,794)	(55,087)	(3,367)	(4,504)	(17,687)	(18,098)	(51,581)	(44,900)	(130,429)	(122,589)
Net earned premiums	87,130	95,970	85,524	76,625	4,950	5,371	59,506	57,669	237,110	235,635
Net claims incurred	(11,792)	(13,063)	(64,326)	(54,122)	(1,076)	(3,365)	(32,503)	(41,227)	(109,697)	(111,777)
Commission income	19,473	10,956	406	394	2,409	3,224	14,886	13,947	37,174	28,521
Commission expense	(18,291)	(18,255)	(8,621)	(7,769)	(1,074)	(1,275)	(15,536)	(13,534)	(43,522)	(40,833)
Net commission	1,182	(7,299)	(8,215)	(7,375)	1,335	1,949	(650)	413	(6,348)	(12,312)
Total out-go	(10,610)	(20,362)	(72,541)	(61,497)	259	(1,416)	(33,153)	(40,814)	116,045	(124,089)
Underwriting surplus before management expenses	76,520	75,608	12,983	15,128	5,209	3,955	26,353	16,855	121,065	111,546
Management expenses of the insurance fund									(52,657)	(51,938)
Underwriting surplus after management expenses									68,408	59,608
Net claims incurred ratio (%)	13.5	13.6	75.2	70.6	21.7	62.7	54.6	71.5	46.3	47.4

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Revenue

For the quarter ended 31 March 2020, the Group's revenue grew by RM11.2 million to RM403.9 million from RM392.7 million in the first quarter of 2019, an increase of 2.9% as compared to the corresponding quarter last year. The increase was mainly driven by growth in gross earned premium of 2.6% or RM9.3 million from its general insurance segment. Investment holding segment recorded higher revenue of RM18.2 million as compared to RM17.5 million in the corresponding quarter in 2019 due to higher dividend income received.

Profit Before Tax

Profit before tax of the Group for the first quarter of 2020 grew by 2.6% to RM97.9 million from RM95.4 million in the corresponding quarter in 2019. The growth was contributed by profit from the general insurance segment, which increased by 2.1% to RM81.6 million from RM79.9 million in the first quarter of 2019. Underwriting profit for the current quarter rose by 14.8% to RM68.4 million from RM59.6 million previously, mainly contributed by a growth in net earned premium, lower net claims incurred and net commission expenses as compared to the corresponding quarter in 2019. The combined ratio for the quarter decreased to 71.2% from 74.6% in the corresponding quarter in 2019. The investment holding segment recorded higher profit before tax of RM16.3 million as compared to RM15.5 million in the corresponding quarter in 2019 mainly due to higher dividend income received.

Business operation in Malaysia contributed 96.2% of the Group's total profit before tax in the first quarter of 2020.

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 31.03.2020	Preceding Year Corresponding Quarter Ended 31.03.2019	Current Year To Date Ended 31.03.2020	Preceding Year Corresponding Period Ended 31.03.2019
RM' mil				
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	1.6	(1.8)	1.6	(1.8)
Items that will not be reclassified to profit or loss				
Net losses on investments in equity instruments designated at fair value through other comprehensive income	(155.9)	(70.5)	(155.9)	(70.5)
Income tax relating to these items	0.9	0.4	0.9	0.4
Total other comprehensive loss for the period, net of tax	(153.4)	(71.9)	(153.4)	(71.9)

The Group's total other comprehensive income for the three months ended 31 March 2020 recorded a net loss of RM153.4 million as compared to RM71.9 million in the corresponding quarter in 2019. The higher net loss 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	As at	Changes	
	31.03.2020	31.12.2019	Amount	%
Total assets	3,983.4	4,045.9	(62.5)	(1.5)
Total liabilities	2,258.3	2,074.0	184.3	8.9
Total equity	1,725.1	1,971.9	(246.8)	(12.5)

Total assets

As at 31 March 2020, the Group's total assets decreased by RM62.5 million to RM3,983.4 million from RM4,045.9 million as at 31 December 2019. The decrease was mainly due to lower loans and receivables coupled with lower market value of quoted equity investment designated as fair value through other comprehensive income, offset by additional investment in unit trust (classified as fair value through profit or loss) and growth in insurance receivables. The general insurance segment accounted for 80.1% of the Group's total assets as at 31 March 2020.

Total liabilities

As at 31 March 2020, total liabilities of the Group increased by RM184.3 million to RM2,258.3 million from RM2,074.0 million as at 31 December 2019. This mainly consists of RM111.5 million increase in insurance contract liabilities and RM78.8 million in insurance payables of its general insurance segment.

Total equity

The Group's total equity decreased by 12.5% or RM246.8 million to RM1,725.1 million from RM1,971.9 million as at 31 December 2019 after the payment of dividend amounting to RM171.3 million. The Group's retained earnings recorded a net decrease of RM93.4 million contributed by the current period's net profit of RM77.9 million offset by the payment of dividends of RM171.3 million. The fair value reserves decreased by RM155.0 million due to the lower market value of quoted equity investment designated as fair value through other comprehensive income, caused the decrease in the Group's total equity. Therefore, net tangible asset per share also decreased to RM4.30 from RM4.92 as at 31 December 2019.

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 31.03.2020 SGD1.00 = RM3.04	Functional Currency SGD'000	Reporting Currency RM'000
Gross earned premiums	7,872	23,932
Investment income	501	1,522
Total revenue	8,373	25,454
Profit before tax	731	2,222
Profit after tax	791	2,404
Total assets	64,983	197,547
Total liabilities	57,618	175,158

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 31.03.2020	Preceding Year Corresponding Period Ended 31.03.2019
Profit after tax	77.9	77.2
Net cash flows generated from operating activities	93.3	168.2
Net cash flows used in investing activities	(1.1)	(0.5)
Net cash flows used in financing activities	(172.7)	(169.0)
Net decrease in cash and cash equivalents	(80.5)	(1.3)
Cash and cash equivalents at 1 January	186.2	418.5
Effect of movement in exchange rates	(0.2)	(1.0)
Cash and cash equivalents at 31 March	105.5	416.2

For the three months period ended 31 March 2020, the operating cash flow of the Group remains healthy at RM93.3 million. The ratio of cash flow from operating activities to net income was 119.8% (RM93.3 million / RM77.9 million). The ratio indicates the ability of the Group to generate sufficient positive cash flow to maintain and grow its operation. It is worth to note that for the current financial period under review, the group has increased its investment in unit trusts (classified as fair value through profit or loss) by RM233.1 million.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Review of statement of cash flow (continued)

The Group had relatively low spending on plant and equipment and intangible assets as its core business of underwriting of general insurance. The Group's capital expenditure for the current financial period under review was RM1.1 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 RM111.5 million to RM1,918.7 million for the three months period ended 31 March 2020. The Group had generated sufficient cash flow to pay a second interim dividend of 43.0 sen per share amounting to RM171.3 million on 26 February 2020 in respect of the financial year ended 31 December 2019.

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

	Current Year Quarter Ended 31.03.2020	Immediate Preceding Quarter Ended 31.12.2019	Changes	
			Amount	% / ppt
Gross earned premiums (RM'mil)	367.5	379.6	(12.1)	(3.2)%
Investment income (RM'mil)	36.4	19.7	16.7	84.8%
Total revenue (RM'mil)	403.9	399.3	4.6	1.2%
Operating profit (RM'mil)	96.9	115.8	(18.9)	(16.3)%
Profit before tax (RM'mil)	97.9	115.3	(17.4)	(15.1)%
Profit attributable to owners of the Company (RM'mil)	77.9	86.6	(8.7)	(10.0)%
Net return on equity (%)	4.5	4.4	-	0.1 ppt
Earnings per share (sen)	19.56	21.74	(2.18)	(10.0)%
General insurance gross written premiums (RM'mil)	486.0	316.8	169.2	53.4%
General insurance net earned premiums (RM'mil)	237.1	265.5	(28.4)	(10.7)%
General insurance underwriting profit (RM'mil)	68.4	96.9	(28.5)	(29.4)%
General insurance claims incurred ratio (%)	46.3	40.3	-	6.0 ppt
General insurance management expenses ratio (%)	22.2	16.2	-	6.0 ppt
General insurance commission ratio (%)	2.7	7.0	-	(4.3) ppt
General insurance combined ratio (%)	71.2	63.5	-	7.7 ppt

For the first quarter ended 31 March 2020, the Group recorded a lower profit before tax of RM97.9 million as compared to RM115.3 million in the preceding quarter ended 31 December 2019. The decrease in the profit before tax for the said quarter was mainly due to lower net earned premiums, higher net claims incurred and management expenses.

B3. CURRENT YEAR PROSPECTS

- a) With the experience of operating under the unprecedented Movement Control Order (MCO) whereby Lonpac is required to provide essential financial services, the Group will further review its digital transformation plan in order to create a more agile and digitally-enabled business that can support our business partners and customers in a more flexible way.

The pandemic is having considerable economic impact as consumer and business confidence are affected in the face of uncertainties. For general insurers, the impact on claims should be relatively manageable. In this challenging time for individuals and businesses, Lonpac is fully committed in its efforts to support our customers in their attempts to recover from this crisis.

- 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>31.03.2020</u>	Preceding Year Corresponding Quarter Ended <u>31.03.2019</u>	Current Year To Date Ended <u>31.03.2020</u>	Preceding Year Corresponding Period Ended <u>31.03.2019</u>
Profit before tax	97,916	95,444	97,916	95,444
Income tax:				
Current tax charge	22,041	18,949	22,041	18,949
Deferred taxation	(2,042)	(663)	(2,042)	(663)
Total tax expense	19,999	18,286	19,999	18,286
Effective tax rate on current tax charge	20%	19%	20%	19%

The effective tax rate on the current tax charge of the Group for the current quarter and financial period ended 31 March 2020 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 27 April 2020, 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 31 March 2020.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 March 2020. – 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 31 March 2020.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 27 April 2020, which is not earlier than 7 days from date of issue of this quarterly report.

B12. DIVIDEND

No interim ordinary dividend has been recommended in this quarter.

B13. EARNINGS PER SHARE

a) Basic earnings per share

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <u>31.03.2020</u>	Preceding Year Corresponding Quarter Ended <u>31.03.2019</u>	Current Year To Date Ended <u>31.03.2020</u>	Preceding Year Corresponding Period Ended <u>31.03.2019</u>
Profit after tax (RM'000)	77,917	77,158	77,917	77,158
Weighted average no. of ordinary shares in issue (‘000)	398,383	398,383	398,383	398,383
Basic earnings per share (sen)	19.56	19.37	19.56	19.37

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>31.03.2020</u>	<u>31.03.2019</u>	<u>31.03.2020</u>	<u>31.03.2019</u>
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Finance costs	471	190	471	190
Depreciation of plant and equipment (NI)	750	840	750	840
Depreciation of right-of-use assets (NI)	1,637	1,791	1,637	1,791
Amortisation of intangible assets (NI)	702	-	702	-
Net impairment loss on insurance receivables	868	3,515	868	3,515
Net impairment loss on investments carried at amortised cost	1	-	1	-
and after crediting:				
Interest income (N2)	15,172	15,970	15,172	15,970
Dividend income (N2)	20,997	18,297	20,997	18,297
Rental income (N2)	200	211	200	211
Net reversal of impairment loss on investments carried at amortised cost	-	3	-	3
Net foreign exchange gain (NI)	578	5	578	5

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 31 March 2020.

(N1) Depreciation of plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and net foreign exchange gain/(loss) are reported under item management expenses in the Condensed Consolidated Statement of Profit or Loss.

(N2) Interest income, dividend income and rental income are reported under item investment income in the Condensed Consolidated Statement of Profit or Loss.

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
31.03.2020						
Insurance receivables	19,472	5,043	4,583	-	-	29,098
31.12.2019						
Insurance receivables	7,605	3,617	4,956	-	-	16,178

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

	31.03.2020				31.12.2019			
	12-months ECL Due from Corporate bonds and sukuk	12-months ECL Due from reinsurers and cedants	Lifetime ECL Due premiums including agents and brokers and co-insurers	Total	12-months ECL Due from Corporate bonds and sukuk	12-months ECL Due from reinsurers and cedants	Lifetime ECL Due premiums including agents and brokers and co-insurers	Total
As at 1 January	4	148	1,902	2,054	22	101	2,056	2,179
Net remeasurement of allowance for impairment	1	17	851	869	(18)	47	(154)	(125)
As at 31 March 2020 / 31 December 2019	5	165	2,753	2,923	4	148	1,902	2,054

B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

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