LPI CAPITAL BHD

Condensed Consolidated Statement of Profit or Loss for the Quarter Ended 31 December 2022 - Audited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **31.12.2022** RM'000	Preceding Year Corresponding Quarter Ended **31.12.2021** RM'000	Current Year To Date Ended **31.12.2022** RM'000	Preceding Year Corresponding Period Ended **31.12.2021** RM'000
Operating revenue	433,165	429,041	1,657,590	1,717,734
Gross written premiums	371,093	362,988	1,628,844	1,561,037
Change in unearned premiums provision	33,686	51,376	(71,697)	51,005
Gross earned premiums	404,779	414,364	1,557,147	1,612,042
Gross written premiums ceded to reinsurers	(108,221)	(124,205)	(584,163)	(551,648)
Change in unearned premiums provision	(28,341)	(33,862)	15,902	(48,512)
Premiums ceded to reinsurers	(136,562)	(158,067)	(568,261)	(600,160)
Net earned premiums	268,217	256,297	988,886	1,011,882
Investment income	28,386	14,677	100,443	105,692
Realised gains	1	-	17	3
Fair value gains	2,539	7	1,304	418
Commission income	28,932	27,632	118,750	112,876
Net reversal of impairment loss on insurance receivables	282	527	841	-
Other operating income	913	847	3,774	2,703
Other income	61,053	43,690	225,129	221,692
Gross claims paid	(187,893)	(135,127)	(688,126)	(540,991)
Claims ceded to reinsurers	88,583	44,938	313,172	200,473
Gross change in claims liabilities	(44,982)	(254,919)	(125,154)	(328,984)
Change in claims liabilities ceded to reinsurers	35,667	248,406	64,618	299,833
Net claims incurred	(108,625)	(96,702)	(435,490)	(369,669)
Fair value losses	(13)	(11,416)	(9,600)	(46,504)
Commission expense	(49,310)	(44,949)	(177,666)	(174,684)
Management expenses	(49,900)	(48,946)	(216,924)	(206,453)
Net impairment loss on insurance receivables	-	-	-	(92)
Net impairment loss on investments carried at amortised cost	(1)	(1)	-	(1)
Other operating expense	-	-	(429)	(32)
Other expenses	(99,224)	(105,312)	(404,619)	(427,766)
Operating profit	121,421	97,973	373,906	436,139
Finance cost	(310)	(343)	(1,253)	(1,572)
Share of profit after tax of equity accounted associated company	(180)	302	808	2,749
Profit before tax	120,931	97,932	373,461	437,316
Tax expense	(37,365)	(24,865)	(96,854)	(92,637)
Profit for the year	83,566	73,067	276,607	344,679
Profit attributable to:				
Owners of the Company	83,566	73,067	276,607	344,679
Earnings per ordinary share (sen)				
- Basic	20.97	18.34	69.43	86.52
- 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 2021.

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter Ended 31 December 2022 - Audited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **31.12.2022** RM'000	Preceding Year Corresponding Quarter Ended **31.12.2021** RM'000	Current Year To Date Ended **31.12.2022** RM'000	Preceding Year Corresponding Period Ended **31.12.2021** RM'000
Profit for the year	83,566	73,067	276,607	344,679
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	11	(235)	9,145	2,956
Items that will not be reclassified to profit or loss				
Net gains on investments in equity instruments designated at fair value through other comprehensive income	19,789	19,838	35,036	8,762
Income tax relating to these items	(99)	(133)	(81)	(23)
Total other comprehensive income for the year, net of tax	19,701	19,470	44,100	11,695
Total comprehensive income for the year attributable to owners of the Company	103,267	92,537	320,707	356,374

Note : The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2021.

LPI CAPITAL BHD

Condensed Consolidated Statement of Financial Position As At 31 December 2022 - Audited

	As At **31.12.2022**	As At **31.12.2021**
	RM'000	RM'000
Assets		
Plant and equipment	6,736	4,717
Right-of-use assets	43,372	47,821
Investment properties	29,862	27,316
Intangible assets	5,440	8,401
Investment in an associated company	42,387	39,446
Other investments	2,282,813	2,169,029
Fair value through other comprehensive income	951,672	916,424
Fair value through profit or loss	1,140,334	1,137,794
Amortised cost	190,807	114,811
Deferred tax assets	-	7,061
Reinsurance assets	1,354,724	1,271,952
Loans and receivables, excluding insurance receivables	398,289	1,007,396
Insurance receivables	189,806	178,160
Deferred acquisition costs	55,444	45,605
Cash and cash equivalents	724,911	87,900
Total assets	5,133,784	4,894,804
Equity		
Share capital	398,383	398,383
Reserves	1,784,478	1,742,639
Total equity	2,182,861	2,141,022
Liabilities		
Insurance contract liabilities	2,653,096	2,448,068
Deferred tax liabilities	917	-
Lease liabilities	45,384	49,630
Insurance payables	102,111	120,630
Other payables	129,518	110,573
Current tax payables	19,897	24,881
Total liabilities	2,950,923	2,753,782
Total equity and liabilities	5,133,784	4,894,804

Note : The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2021.

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Condensed Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022 - Audited

	← 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
12 Months Year Ended 31 December 2022					
At 1 January 2022	398,383	25,709	756,981	959,949	2,141,022
Foreign currency translation differences for foreign operation	-	9,145	-	-	9,145
Net gains on investments in equity instruments designated at fair value through other comprehensive income	-	-	34,955	-	34,955
Total other comprehensive income for the year	-	9,145	34,955	-	44,100
Profit for the year	-	-	-	276,607	276,607
Total comprehensive income for the year	-	9,145	34,955	276,607	320,707
Distributions to owners of the Company					
Dividends to owners of the Company	-	-	-	(278,868)	(278,868)
Total transaction with owners of the Company	-	-	-	(278,868)	(278,868)
At 31 December 2022	398,383	34,854	791,936	957,688	2,182,861

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Condensed Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022 - Audited (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
12 Months Year Ended 31 December 2021					
At 1 January 2021	398,383	22,753	748,242	906,090	2,075,468
Foreign currency translation differences for foreign operation	-	2,956	-	-	2,956
Net gains on investments in equity instruments designated at fair value through other comprehensive income	-	-	8,739	-	8,739
Total other comprehensive income for the year	-	2,956	8,739	-	11,695
Profit for the year	-	-	-	344,679	344,679
Total comprehensive income for the year	-	2,956	8,739	344,679	356,374
Distributions to owners of the Company					
Dividends to owners of the Company	-	-	-	(290,820)	(290,820)
Total transaction with owners of the Company	-	-	-	(290,820)	(290,820)
At 31 December 2021	398,383	25,709	756,981	959,949	2,141,022

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 2021.

LPI CAPITAL BHD

Condensed Consolidated Statement of Cash Flow
for the Year Ended 31 December 2022 - Audited

	Current Year To Date Ended **31.12.2022** RM'000	Preceding Year Corresponding Period Ended **31.12.2021** RM'000
Operating activities		
Profit before tax	373,461	437,316
Investment income	(100,443)	(105,692)
Net realised gains recorded in profit or loss	(17)	(3)
Net fair value losses recorded in profit or loss	8,296	46,086
Share of profit of equity accounted associated company	(808)	(2,749)
Proceeds from disposal of financial assets carried at fair value through profit or loss	1,171,894	30,371
Purchase of financial assets carried at fair value through profit or loss	(1,223,213)	(327,122)
Purchase of financial assets carried at amortised cost	(84,955)	(76,728)
Maturity of financial assets carried at amortised cost	9,890	15,000
Maturity of financial assets carried at fair value through profit or loss	40,000	5,000
Interest on lease liabilities	1,253	1,572
Non-cash items:		
Depreciation of plant and equipment	2,841	3,222
Depreciation of right-of-use assets	7,052	6,654
Amortisation of intangible assets	3,928	3,398
Bad debts written off	-	539
Unrealised foreign exchange gain	(502)	(311)
Net (reversal of)/impairment loss on insurance receivables	(841)	92
Net impairment loss on investments carried at amortised cost	-	1
Changes in working capital:		
Loans and receivables	612,287	162,454
Reinsurance assets	(80,519)	(251,320)
Insurance receivables	(10,109)	(14,985)
Deferred acquisition costs	(9,669)	(1,827)
Insurance contract liabilities	196,851	277,979
Insurance payables	(18,682)	20,091
Other payables	17,657	6,997
Cash generated from operating activities	915,652	236,035
Dividend income received	65,595	77,906
Interest income received	34,235	27,186
Rental income on investment property received	801	665
Interest paid	(1,253)	(1,572)
Income tax paid	(94,019)	(103,640)
Net cash flows generated from operating activities	921,011	236,580

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Condensed Consolidated Statement of Cash Flow
for the Year Ended 31 December 2022 - Audited (continued)

	Current Year To Date Ended **31.12.2022** RM'000	Preceding Year Corresponding Period Ended **31.12.2021** RM'000
Investing activities		
Proceeds from disposal of plant and equipment	17	3
Purchase of plant and equipment	(4,840)	(1,505)
Purchase of intangible assets	(962)	(2,845)
Net cash flows used in investing activities	(5,785)	(4,347)
Financing activities		
Dividends paid to owners of the Company	(278,868)	(290,820)
Payment of lease liabilities	(6,861)	(6,192)
Net cash flows used in financing activities	(285,729)	(297,012)
Net increase/(decrease) in cash and cash equivalents	629,497	(64,779)
Cash and cash equivalents at 1 January	87,900	150,788
Effect of movement in exchange rates	7,514	1,891
Cash and cash equivalents at 31 December	724,911	87,900

Note : The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2021.

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 2021 ("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 Group has not applied the following accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group:

MFRSs/Interpretations/Amendments	**Effective date**
MFRS 17, *Insurance Contracts*	1 January 2023
Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*	1 January 2023
Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*	1 January 2023
Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*	1 January 2024
Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be confirmed

A1. BASIS OF PREPARATION (CONTINUED)

The Group plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the abovementioned accounting standard and amendments is not expected to have any material financial impact to the financial statements of the Group except as mentioned below:

MFRS 17, Insurance Contracts

The Group will apply MFRS 17 for the first time on 1 January 2023, replacing MFRS 4. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and are expected to have a material impact on the Group's financial statements in the period of initial application.

The Group has assessed the estimated impact that the initial application of MFRS 17 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after tax) is estimated to increase the Group's total equity as at 1 January 2022. The Group will restate comparative information on adoption of MFRS 17.

The assessment is preliminary because not all of the transition work has been finalised. The actual impact of adopting MFRS 17 on 1 January 2023 and 2022 may change because:

- the Group is continuing to refine the new accounting processes and internal controls required for applying MFRS 17;

- although parallel runs were carried out in the second half of 2022, the new systems and associated controls in place have not been operational for an extended period;

- the Group has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; and

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

i. Identifying contracts in the scope of MFRS 17

The Group does not expect significant changes for contracts that fall in the scope of MFRS 17 against the current MFRS 4.

ii. Level of aggregation

Under MFRS 17, insurance and reinsurance contracts are aggregated into groups for measurement purpose. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is divided into annual cohorts (i.e. by years of issuance and inception) and groups of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for including in an existing group, it forms a new group to which future contracts may be added. Reinsurance contracts are grouped on a similar basis of the underlying insurance contracts.

The level of aggregation requirements of MFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as Contractual Service Margin ("CSM"), against losses on group of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under MFRS 4 (i.e. portfolio of contracts level), the level of aggregation under MFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

iii. Contract boundaries

Under MFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Group expects that for certain contracts the MFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in MFRS 17.

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide insurance services.

A substantive obligation to provide services end when:

- The Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or

- The Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

iii. Contract boundaries (continued)

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or

- has a substantive right to terminate the coverage.

iv. Measurement

Insurance contracts

On initial recognition, the Group will measure a group of contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money, and a risk adjustment for non-financial risk; and the CSM. The fulfilment cash flows of a group of contracts do not reflect the Group's non-performance risk but may reflect the non-payment risk of the Group's counterparties such as insurance intermediaries.

- The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the range of possible outcomes. Given that cash flows of general insurance contracts are generally short-term and do not vary based on market variables, the Group will use a deterministic model to estimate the expected value of the cash flows, based on assumptions in respect of loss ratios, claim developments and expected level of expenses of each individual group of contracts.

- All cash flows will be discounted using risk-free yield curves.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

iv. Measurement (continued)

Insurance contracts (continued)

- The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Group would require for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk.

- The CSM of a group of contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the fulfilment cash flows and any cash flows arising at that date is a net inflow.

  In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows that relate to services that will be provided under the contracts in the future periods and any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

iv. Measurement (continued)

Insurance contracts (continued)

- The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfillment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses, or as other comprehensive income ("OCI")

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future service.

Reinsurance contracts

The Group will apply the same accounting policies to measure a group of reinsurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contract at each reporting date is the sum of the asset for remaining coverage and the assets for incurred claims. The asset for remaining coverage comprises the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

iv. Measurement (continued)

Reinsurance contracts (continued)

The Group will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in the insurance service result in profit or loss.

The risk adjustment for non-financial risk will represent the amount of risk being transferred by the Group to the reinsurer.

The CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured such that no income or expense arises on initial recognition, except that the Group will:

- Recognise any net cost on purchasing reinsurance coverage immediately in profit or loss as an expense if it is related to insured events that occurred before the purchase of the group; and

- Recognise income when it recognises a loss on initial recognition of onerous underlying contracts if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. A loss-recovery component is created, which determines the amounts that are subsequently disclosed as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

The CSM is adjusted subsequently only for specified amounts and is recognised in profit or loss as services are received.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

iv. Measurement (continued)

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Insurance acquisition cash flows, other than commissions, are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Insurance acquisition cash flows that are directly attributable to a group of contracts (e.g. commissions paid on issuance of contracts) are allocated only to that group of contracts. The Group has not identified and will not recognise any insurance acquisition asset for insurance acquisition cash flows that arise before the recognition of a group of insurance contracts.

v. Significant judgements and estimates

Estimates of future cash flows

In estimating the future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date and current expectations of future events that might affect those cash flows.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

v. Significant judgements and estimates (continued)

Estimates of future cash flows (continued)

Cash flows will be attributed to acquisition activities and other fulfilment activities either directly or estimated based on the type of activities performed by the respective business function. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics, such as based on total premiums, number of policies or number of claims.

Discount rates

The Group will generally determine risk-free discount rates using the observed yield curves of government securities. The yield curve will be interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate will be subject to revision, it is expected to be updated only on significant changes on long-term expectations. No adjustment for illiquidity premium is required given the relatively liquid nature of insurance payout on policy cancellation or insurance claim.

The requirement to measure liabilities for insurance contracts using current discount rates will be a significant change from the Group's current practice as the Group does not currently discount future cash flows.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. The Group will apply a confidence level technique to determine the risk adjustments for non-financial risk of both its insurance and reinsurance contracts.

Under a confidence level technique, the Group will estimate the probability distribution of the expected value of the future cash flows at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level will be 75 percent, in line with the regulatory requirement of Bank Negara Malaysia under the Risk-Based Capital Framework for Insurers.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

v. Significant judgements and estimates (continued)

Contractual service margin

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

vi. Presentation and disclosure

MFRS 17 will significantly change how insurance and reinsurance contracts are presented and disclosed in the Group's financial statements.

Under MFRS 17, portfolio of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities for cash flows arising before the recognition of the related group of contracts will also be presented in the same line item as the related portfolios of contracts.

Under MFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into an insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

vi. Presentation and disclosure (continued)

Insurance service result

Insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service results.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately, because the Group will present them on a net basis as ‘net expenses from reinsurance contracts’ in the insurance service results.

The Group will choose to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

Insurance finance income and expenses

Under MFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses.

The Group will choose to disaggregate insurance finance income or expenses between profit or loss and OCI. The amount included in profit or loss will be determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation will be determined using the discount rates determined on initial recognition of the group of contracts.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

vi. Presentation and disclosure (continued)

Disclosure

MFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgments made when applying MFRS 17. There will also be expanded disclosures about the nature and extent of risk from insurance and reinsurance contracts. Disclosures will generally be made at a more granular level than under MFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

vii. Transition

Changes in accounting policies resulting from the adoption of MFRS 17 will be applied using a full retrospective approach to the extent practicable. If it is impracticable to apply a full retrospective approach to a group of contracts, then the Group will choose between modified retrospective approach and the fair value approach. However, if the Group cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

Generally, the Group has considered the application of full retrospective approach impracticable across certain groups of contracts due to following reasons:

- The information required has not been collected with sufficient granularity or is unavailable without incurring a significant cost and effort due to the Group's data retention policies. Such information includes expectations about the profitability of group of contract and risks of it becoming onerous required for identifying groups of contracts, or information about historical cash flows required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;

- The full retrospective approach requires assumptions about what Group's management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight. Such assumptions and estimates include for example cash flows run-off patterns, discount rates, loss ratio assumptions to the required level of granularity.

A1. BASIS OF PREPARATION (CONTINUED)

MFRS 17, Insurance Contracts (continued)

vii. Transition (continued)

Full retrospective approach

Under the full retrospective approach, at 1 January 2022 the Group will:

- Identify, recognise and measure each group of insurance and reinsurance contracts as if MFRS 17 had always been applied;

- Derecognise previously reported balances that would not have existed if MFRS 17 had always been applied;

- Recognise any resulting net difference in equity.

Modified retrospective approach

The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Group will apply each of the following modifications only to the extent it does not have reasonable and supportable information to apply MFRS 17 retrospectively:

- The Group will adopt the groupings identified as at the transition date for the contracts issued prior to the transition date;

- The Group will group all contracts prior to the transition date into a cohort for transition;

- The Group will determine the discount rate at initial recognition based on the discount rate at transition date; and

- The Group will apply the risk adjustment for non-financial risk at transition date for the expected release of risk before the transition date.

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 financial year ended 31 December 2022.

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 financial year ended 31 December 2022.

A6. DIVIDEND PAID

a) A second interim single tier dividend of 45.00 sen per ordinary share amounting to RM179,272,239 in respect of the financial year ended 31 December 2021 was paid on 2 March 2022.

b) A first interim single tier dividend of 25.00 sen per ordinary share amounting to RM99,595,688 in respect of the financial year ended 31 December 2022 was paid on 25 August 2022.

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, LPI’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 LPI’s Chief Executive Officer. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

A7. OPERATING SEGMENTS (CONTINUED)

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	12 Months Ended					
	General insurance		Investment holding		Total	
	2022	2021	2022	2021	2022	2021
External revenue	1,614,531	1,672,286	43,059	45,448	1,657,590	1,717,734
Inter-segment revenue	-	-	210,000	230,000	210,000	230,000
Segment profit before tax	338,857	399,722	244,604	267,594	583,461	667,316
Segment assets	4,173,296	3,933,989	1,160,488	1,160,815	5,333,784	5,094,804
Segment liabilities	2,948,495	2,751,549	2,428	2,233	2,950,923	2,753,782

A7. OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

i) Reconciliation of reportable segment profit:

RM'000	12 Months Ended	
	2022	**2021**
Total profit for reportable segments	583,461	667,316
Elimination of inter-segment profit	(210,000)	(230,000)
Consolidated profit before tax	373,461	437,316

ii) Reconciliation of reportable segment assets:

RM'000	12 Months Ended	
	2022	**2021**
Total assets for reportable segments	5,333,784	5,094,804
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	5,133,784	4,894,804

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 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") had infringed the prohibition under Section 4(2)(a) of the Act for fixing parts trade discounts and labour rates for repair workshops and therefore liable for an infringement under Section 4(3) of the Act.

Lonpac had on 25 September 2020 received a Notice of Finding of An Infringement ("Notice") by MyCC under Section 40 of the Act. MyCC determined that Lonpac had infringed Section 4 prohibition of the Act.

In the view of the impact of the COVID-19 pandemic, MyCC had granted a reduction of 25% of the financial penalties imposed on the 22 general insurers. The financial penalty imposed on Lonpac after taking into account the 25% reduction amounted to RM5,914,780.

Lonpac believes that it has always conducted its business in full compliance with all relevant laws and regulations and had filed an appeal to the Competition Appeal Tribunal ("CAT") on 13 October 2020.

On 2 September 2022, the CAT had allowed Lonpac to appeal and set aside MyCC's decision.

MyCC has applied to the High Court for leave to apply for judicial review of CAT's decision dated 2 September 2022. PIAM had filed its Affidavit in Opposition in the High Court on 3 January 2023. The hearing date for this matter is fixed on 8 May 2023.

Save as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date of 31 December 2021.

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.

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.

31.12.2022	**Fair value of financial instruments carried at fair value**				**Fair value of financial instruments not carried at fair value**					
RM'000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	951,672	-	-	951,672	-	-	-	-	951,672	951,672
Mandatorily at fair value through profit or loss										
- Unit trusts	896,981	-	-	896,981	-	-	-	-	896,981	896,981
- Real estate investment trusts ("REITs")	3,165	-	-	3,165	-	-	-	-	3,165	3,165
- Exchange-traded fund ("ETF")	587	-	-	587	-	-	-	-	587	587
- Quoted shares	4,180	-	-	4,180	-	-	-	-	4,180	4,180
- Unquoted shares	-	-	1,472	1,472	-	-	-	-	1,472	1,472
- Corporate bonds and sukuk	-	233,949	-	233,949	-	-	-	-	233,949	233,949
Amortised cost										
- Malaysian government securities	-	-	-	-	-	14,897	-	14,897	14,897	15,300
- Government investment issues	-	-	-	-	-	38,981	-	38,981	38,981	39,795
- Malaysian government guaranteed loans	-	-	-	-	-	84,035	-	84,035	84,035	85,000
- Corporate bonds and sukuk	-	-	-	-	-	49,860	-	49,860	49,860	50,712
	1,856,585	233,949	1,472	2,092,006	-	187,773	-	187,773	2,279,779	2,282,813

A11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

31.12.2021	**Fair value of financial instruments carried at fair value**				**Fair value of financial instruments not carried at fair value**				**Total**	**Carrying**
RM'000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**fair value**	**amount**
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	916,424	-	-	916,424	-	-	-	-	916,424	916,424
Mandatorily at fair value through profit or loss										
- Unit trusts	982,477	-	-	982,477	-	-	-	-	982,477	982,477
- Real estate investment trusts ("REITs")	3,211	-	-	3,211	-	-	-	-	3,211	3,211
- Exchange-traded fund ("ETF")	668	-	-	668	-	-	-	-	668	668
- Quoted shares	3,791	-	-	3,791	-	-	-	-	3,791	3,791
- Unquoted shares	-	-	1,392	1,392	-	-	-	-	1,392	1,392
- Corporate bonds and sukuk	-	146,255	-	146,255	-	-	-	-	146,255	146,255
Amortised cost										
- Malaysian government securities	-	-	-	-	-	15,366	-	15,366	15,366	15,358
- Government investment issues	-	-	-	-	-	19,788	-	19,788	19,788	19,817
- Malaysian government guaranteed loans	-	-	-	-	-	50,298	-	50,298	50,298	50,000
- Corporate bonds and sukuk	-	-	-	-	-	29,760	-	29,760	29,760	29,636
	1,906,571	146,255	1,392	2,054,218	-	115,212	-	115,212	2,169,430	2,169,029

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 financial year ended 31 December 2022 (31.12.2021: no transfer in either directions).

Level 3 fair value

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

	2022 RM'000	**2021 RM'000**
Unquoted shares		
Balance as at 1 January	1,392	1,375
Fair value gains recognised in profit or loss	80	17
Balance as at 31 December	1,472	1,392

A11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

The following table shows the valuation technique used in the determination of fair value within Level 3, as well as the key unobservable inputs used in the valuation model.

Financial instrument 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. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

RM'000	Associated Company Current Year To Date Ended **2022**	Associated Company Preceding Year Corresponding Period Ended **2021**	Companies Under Common Significant Influence Current Year To Date Ended **2022**	Companies Under Common Significant Influence Preceding Year Corresponding Period Ended **2021**
Income earned:				
Premium income	520	585	40,561	38,915
Dividend income	-	-	43,431	45,167
Fixed deposits income	-	-	2,107	3,157
Interest/profit income from corporate bonds and sukuk	-	-	1,387	1,459
Information technology services	320	12	-	-
	840	597	87,486	88,698
Expenditure incurred:				
Rental paid	-	-	(3,996)	(3,382)
Insurance commission	(126)	(135)	(49,730)	(47,637)
	(126)	(135)	(53,726)	(51,019)
Other transaction:				
Purchase of corporate bonds and sukuk	-	-	(25,000)	-

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

	Individual Period		Changes		Cumulative Period		Changes	
RM'mil	Current Year Quarter Ended 31.12.2022	Preceding Year Corresponding Quarter Ended 31.12.2021	Amount	% / ppt (*)	Current Year To Date Ended 31.12.2022	Preceding Year Corresponding Period Ended 31.12.2021	Amount	% / ppt (*)
Revenue by segments								
General insurance segment	424.4	428.6	(4.2)	(1.0)%	1,614.5	1,672.3	(57.8)	(3.5)%
Gross earned premiums	404.8	414.3	(9.5)	(2.3)%	1,557.1	1,612.0	(54.9)	(3.4)%
Investment income	19.6	14.3	5.3	37.1%	57.4	60.3	(2.9)	(4.8)%
Investment holding segment								
Investment income	8.8	0.4	8.4	2100.0%	43.1	45.4	(2.3)	(5.1)%
Total revenue	433.2	429.0	4.2	1.0%	1,657.6	1,717.7	(60.1)	(3.5)%
Revenue by geographical locations								
Malaysia	399.6	401.9	(2.3)	(0.6)%	1,536.4	1,611.9	(75.5)	(4.7)%
Singapore	33.6	27.1	6.5	24.0%	121.2	105.8	15.4	14.6%
Total revenue	433.2	429.0	4.2	1.0%	1,657.6	1,717.7	(60.1)	(3.5)%
Operating profit	121.4	98.0	23.4	23.9%	373.9	436.1	(62.2)	(14.3)%

(* 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 31.12.2022	Preceding Year Corresponding Quarter Ended 31.12.2021	Amount	% / ppt (*)	Current Year To Date Ended 31.12.2022	Preceding Year Corresponding Period Ended 31.12.2021	Amount	% / ppt (*)
Profit before tax by segments								
General insurance (RM'mil)	114.0	99.4	14.6	14.7%	338.9	399.7	(60.8)	(15.2)%
Investment holding (RM'mil)	6.9	(1.5)	8.4	560.0%	34.6	37.6	(3.0)	(8.0)%
Total profit before tax	120.9	97.9	23.0	23.5%	373.5	437.3	(63.8)	(14.6)%
Profit before tax by geographical locations								
Malaysia (RM'mil)	116.8	97.9	18.9	19.3%	359.7	427.6	(67.9)	(15.9)%
Singapore (RM'mil)	4.3	(0.3)	4.6	1533.3%	13.0	7.0	6.0	85.7%
Cambodia (RM'mil)	(0.2)	0.3	(0.5)	(166.7)%	0.8	2.7	(1.9)	(70.4)%
Total profit before tax	120.9	97.9	23.0	23.5%	373.5	437.3	(63.8)	(14.6)%
Profit attributable to owners of the Company (RM'mil)	83.6	73.1	10.5	14.4%	276.6	344.7	(68.1)	(19.8)%
Net return on equity (%)	3.8	3.4	-	0.4 ppt	12.7	16.1	-	(3.4) ppt
Earnings per share (sen)	20.97	18.34	2.63	14.3%	69.43	86.52	(17.09)	(19.8)%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended 31.12.2022	Preceding Year Corresponding Quarter Ended 31.12.2021	Amount	% / ppt (*)	Current Year To Date Ended 31.12.2022	Preceding Year Corresponding Period Ended 31.12.2021	Amount	% / ppt (*)
General insurance gross written premiums (RM'mil)	371.1	363.0	8.1	2.2%	1,628.8	1,561.0	67.8	4.3%
General insurance net earned premiums (RM'mil)	268.2	256.3	11.9	4.6%	988.9	1,011.9	(23.0)	(2.3)%
General insurance underwriting profit (RM'mil)	91.0	95.3	(4.3)	(4.5)%	285.1	379.7	(94.6)	(24.9)%
General insurance claims incurred ratio (%)	40.5	37.7	-	2.8 ppt	44.0	36.5	-	7.5 ppt
General insurance management expenses ratio (%)	18.0	18.3	-	(0.3) ppt	21.2	19.8	-	1.4 ppt
General insurance commission ratio (%)	7.6	6.8	-	0.8 ppt	6.0	6.1	-	(0.1) ppt
General insurance combined ratio (%)	66.1	62.8	-	3.3 ppt	71.2	62.5	-	8.7 ppt

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 3: Underwriting results of general insurance for the 3 months period ended 31 December 2022:

	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
RM'000	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Gross written premiums	156,318	142,761	101,546	96,196	21,868	20,932	91,361	103,099	371,093	362,988
Change in unearned premiums provision	8,390	21,821	(8,475)	(5,663)	4,567	6,081	29,204	29,137	33,686	51,376
Gross earned premiums	164,708	164,582	93,071	90,533	26,435	27,013	120,565	132,236	404,779	414,364
Gross written premiums ceded to reinsurers	(52,791)	(53,953)	(5,907)	(4,640)	(17,529)	(16,314)	(31,994)	(49,298)	(108,221)	(124,205)
Change in unearned premiums provision	(2,865)	(5,627)	226	287	(4,421)	(6,224)	(21,281)	(22,298)	(28,341)	(33,862)
Premiums ceded to reinsurers	(55,656)	(59,580)	(5,681)	(4,353)	(21,950)	(22,538)	(53,275)	(71,596)	(136,562)	(158,067)
Net earned premiums	109,052	105,002	87,390	86,180	4,485	4,475	67,290	60,640	268,217	256,297
Net claims incurred	(18,451)	(14,900)	(67,078)	(56,226)	821	(1,202)	(23,917)	(24,374)	(108,625)	(96,702)
Commission income	12,897	12,185	424	411	2,558	2,027	13,053	13,009	28,932	27,632
Commission expense	(19,569)	(18,294)	(9,036)	(8,680)	(1,495)	(1,211)	(19,210)	(16,764)	(49,310)	(44,949)
Net commission	(6,672)	(6,109)	(8,612)	(8,269)	1,063	816	(6,157)	(3,755)	(20,378)	(17,317)
Total out-go	(25,123)	(21,009)	(75,690)	(64,495)	1,884	(386)	(30,074)	(28,129)	(129,003)	(114,019)
Underwriting surplus before management expenses	83,929	83,993	11,700	21,685	6,369	4,089	37,216	32,511	139,214	142,278
Management expenses of the insurance fund									(48,262)	(46,983)
Underwriting surplus after management expenses									90,952	95,295
Net claims incurred ratio (%)	16.9	14.2	76.8	65.2	(18.3)	26.9	35.5	40.2	40.5	37.7

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 3: Underwriting results of general insurance for the financial year ended 31 December 2022 :

RM'000	Fire 2022	Fire 2021	Motor 2022	Motor 2021	Marine, Aviation & Transit 2022	Marine, Aviation & Transit 2021	Miscellaneous 2022	Miscellaneous 2021	Total 2022	Total 2021
Gross written premiums	659,381	630,995	371,341	356,604	97,889	95,574	500,233	477,864	1,628,844	1,561,037
Change in unearned premiums provision	(20,066)	(2,879)	(9,101)	9,985	(2,869)	(1,313)	(39,661)	45,212	(71,697)	51,005
Gross earned premiums	639,315	628,116	362,240	366,589	95,020	94,261	460,572	523,076	1,557,147	1,612,042
Gross written premiums ceded to reinsurers	(248,147)	(228,694)	(21,636)	(16,834)	(78,094)	(76,897)	(236,286)	(229,223)	(584,163)	(551,648)
Change in unearned premiums provision	9,520	4,364	175	(209)	1,887	314	4,320	(52,981)	15,902	(48,512)
Premiums ceded to reinsurers	(238,627)	(224,330)	(21,461)	(17,043)	(76,207)	(76,583)	(231,966)	(282,204)	(568,261)	(600,160)
Net earned premiums	400,688	403,786	340,779	349,546	18,813	17,678	228,606	240,872	988,886	1,011,882
Net claims incurred	(56,116)	(51,551)	(262,850)	(212,346)	(6,394)	(5,990)	(110,130)	(99,782)	(435,490)	(369,669)
Commission income	51,554	47,017	1,806	1,926	9,702	8,374	55,688	55,559	118,750	112,876
Commission expense	(73,876)	(72,495)	(34,861)	(35,227)	(5,774)	(4,521)	(63,155)	(62,441)	(177,666)	(174,684)
Net commission	(22,322)	(25,478)	(33,055)	(33,301)	3,928	3,853	(7,467)	(6,882)	(58,916)	(61,808)
Total out-go	(78,438)	(77,029)	(295,905)	(245,647)	(2,466)	(2,137)	(117,597)	(106,664)	(494,406)	(431,477)
Underwriting surplus before management expenses	322,250	326,757	44,874	103,899	16,347	15,541	111,009	134,208	494,480	580,405
Management expenses of the insurance fund									(209,360)	(200,711)
Underwriting surplus after management expenses									285,120	379,694
Net claims incurred ratio (%)	14.0	12.8	77.1	60.7	34.0	33.9	48.2	41.4	44.0	36.5

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Revenue

For the 4th quarter of financial year 2022, the Group's revenue increased by RM4.2 million to RM433.2 million from RM429.0 million recorded in the corresponding quarter in 2021. The 1.0% growth in revenue was largely contributed by its investment holding segment, which increased by RM8.4 million to RM8.8 million as compared to RM0.4 million in the corresponding quarter in 2021. The increase in revenue was mainly due to higher tax-exempt dividend income received from its equity investment. The general insurance segment recorded a lower revenue of RM424.4 million as compared to RM428.6 million reported in the corresponding quarter last year mainly due to lower gross earned premiums.

For the financial year ended 31 December 2022, the Group's revenue decreased by 3.5% or RM60.1 million to RM1,657.6 million from RM1,717.7 million in the preceding financial year. Of the total amount of RM1,657.6 million, RM1,614.5 million was generated from general insurance segment and RM43.1 million from investment holding segment. The decrease in revenue was mainly driven by the general insurance segment, which registered a decrease of 3.5% or RM57.8 million from RM1,672.3 million for the financial year ended 31 December 2021. The investment holding segment recorded lower revenue of RM43.1 million as compared to RM45.4 million in 2021 mainly due to lower dividend income received during the current financial year.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Profit Before Tax

Profit before tax of the Group for the 4th quarter of financial year 2022 increased by 23.5% or RM23.0 million to RM120.9 million from RM97.9 million in the corresponding quarter in 2021. The increase was driven by the higher profit from general insurance segment, which increased by 14.7% or RM14.6 million to RM114.0 million from RM99.4 million in the 4th quarter of financial year 2021, mainly contributed by net fair value gains of RM2.5 million in its investments as compared to RM11.4 million net fair value losses registered in the corresponding quarter last year. The investment holding segment recorded a higher profit before tax of RM6.9 million as compared to a loss of RM1.5 million in the corresponding quarter in 2021 mainly contributed by higher dividend income received during the 4th quarter of financial year 2022.

Profit before tax of the Group for the current financial year under review decreased by 14.6% or RM63.8 million to RM373.5 million from RM437.3 million in the preceding financial year. The decrease mainly came from general insurance segment, which decreased by 15.2% or RM60.8 million to RM338.9 million from RM399.7 million in the year ended 31 December 2021. Underwriting surplus decreased by 24.9% or RM94.6 million to RM285.1 million from RM379.7 million reported in the previous financial year, mainly due to lower net earned premium and higher net claims incurred as well as higher management expenses. The investment holding segment recorded a lower profit before tax of RM34.6 million as compared to RM37.6 million reported in the financial year 2021 mainly due to lower tax-exempt dividend income received from its equity investment.

Business operations in Malaysia contributed 96.6% of the Group's total profit before tax in the 4th quarter of financial year 2022 and 96.3% for the current financial year.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

RM'mil	Individual Period: Current Year Quarter Ended 31.12.2022	Individual Period: Preceding Year Corresponding Quarter Ended 31.12.2021	Cumulative Period: Current Year To Date Ended 31.12.2022	Cumulative Period: Preceding Year Corresponding Period Ended 31.12.2021
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	-	(0.2)	9.2	3.0
Items that will not be reclassified to profit or loss				
Net gains on investments in equity instruments designated at				
fair value through other comprehensive income	19.8	19.8	35.0	8.7
Income tax relating to these items	(0.1)	(0.1)	(0.1)	-
Total other comprehensive income for the year, net of tax	19.7	19.5	44.1	11.7

The Group's total other comprehensive income for the year ended 31 December 2022 recorded a net gain of RM44.1 million as compared to RM11.7 million in the financial year 2021. The net gain recorded was mainly contributed by unrealised fair value gain on its investment in quoted equities.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 5: Review of assets and liabilities

RM'mil	As at 31.12.2022	As at 31.12.2021	Changes	
			Amount	%
Total assets	5,133.8	4,894.8	239.0	4.9
Total liabilities	2,950.9	2,753.8	197.1	7.2
Total equity	2,182.9	2,141.0	41.9	2.0

Total assets

As at 31 December 2022, the Group's total assets increased by RM239.0 million to RM5,133.8 million from RM4,894.8 million as at 31 December 2021. The increase was mainly contributed by higher cash and cash equivalents and the growth in reinsurance assets. The general insurance segment accounted for 81.3% of the Group's total assets as at 31 December 2022.

Total liabilities

As at 31 December 2022, total liabilities of the Group increased by RM197.1 million to RM2,950.9 million from RM2,753.8 million as at 31 December 2021. This was mainly due to RM205.0 million increase in insurance contract liabilities of its general insurance segment.

Total equity

The Group's total equity increased by 2.0% or RM41.9 million to RM2,182.9 million from RM2,141.0 million as at 31 December 2021. The Group's retained earnings recorded a net decrease of RM2.3 million resulted from the payment of dividends of RM278.9 million offset by the current year's net profit of RM276.6 million. The fair value reserves increased by RM35.0 million contributed by the higher market value of quoted equity investment designated as fair value through other comprehensive income. Therefore, net tangible asset per share also increased to RM5.47 from RM5.35 as at 31 December 2021.

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 31.12.2022 SGD1.00 = RM3.26	Functional Currency SGD'000	Reporting Currency RM'000
Gross earned premiums	35,597	116,049
Investment income	1,567	5,109
Total revenue	37,164	121,158
Profit before tax	3,983	12,984
Profit after tax	3,409	11,112
Total assets	77,639	253,104
Total liabilities	66,254	215,989

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 31.12.2022	Preceding Year Corresponding Period Ended 31.12.2021
Profit after tax	276.6	344.7
Net cash flows generated from operating activities	921.0	236.6
Net cash flows used in investing activities	(5.8)	(4.4)
Net cash flows used in financing activities	(285.7)	(297.0)
Net increase/(decrease) in cash and cash equivalents	629.5	(64.8)
Cash and cash equivalents at 1 January	87.9	150.8
Effect of movement in exchange rates	7.5	1.9
Cash and cash equivalents at 31 December	724.9	87.9

For the year ended 31 December 2022, the operating cash flow of the Group remained healthy at RM921.0 million. The ratio of cash flow from operating activities to net income was 333.0% (RM921.0 million / RM276.6 million). The ratio indicated the ability of the Group to generate sufficient positive cash flow to maintain and grow its operations. The movement was mainly due to the Group having placed more fixed deposits with tenure of less than 3 months.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Review of statement of cash flow (continued)

The Group had incurred relatively low spending on plant and equipment and intangible assets as its core business is underwriting of general insurance. The Group's investing activities for the current financial year amounted to RM5.8 million, mainly relating to information technology expenditure and purchase of computer equipment.

The Group's balance sheet did not carry any debts other than insurance contract liabilities which increased by RM205.0 million to RM2,653.1 million as at 31 December 2022. The Group had generated sufficient cash flow to pay dividends amounting to RM278.9 million (which consisted of RM179.3 million second interim dividend for the financial year ended 31 December 2021 and RM99.6 million first interim dividend for the financial year ended 2022) during the current financial year.

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

	Current Year Quarter Ended 31.12.2022	Immediate Preceding Quarter Ended 30.09.2022	Changes	
			Amount	% / ppt
Gross earned premiums (RM'mil)	404.8	398.4	6.4	1.6%
Investment income (RM'mil)	28.4	31.2	(2.8)	(9.0)%
Total revenue (RM'mil)	433.2	429.6	3.6	0.8%
Operating profit (RM'mil)	121.4	103.2	18.2	17.6%
Profit before tax (RM'mil)	120.9	103.3	17.6	17.0%
Profit attributable to owners of the Company (RM'mil)	83.6	74.7	8.9	11.9%
Net return on equity (%)	3.8	3.6	-	0.2 ppt
Earnings per share (sen)	20.97	18.77	2.20	11.7%
General insurance gross written premiums (RM'mil)	371.1	409.2	(38.1)	(9.3)%
General insurance net earned premiums (RM'mil)	268.2	250.1	18.1	7.2%
General insurance underwriting profit (RM'mil)	91.0	72.2	18.8	26.0%
General insurance claims incurred ratio (%)	40.5	42.5	-	(2.0) ppt
General insurance management expenses ratio (%)	18.0	22.2	-	(4.2) ppt
General insurance commission ratio (%)	7.6	6.5	-	1.1 ppt
General insurance combined ratio (%)	66.1	71.1	-	(5.0) ppt

For the 4th quarter of financial year 2022, the Group recorded a higher profit before tax of RM120.9 million as compared to RM103.3 million in the preceding quarter ended 30 September 2022. The increase in the profit before tax for the said quarter was mainly due to higher net earned premiums and lower management expenses.

B3. NEXT YEAR PROSPECTS

a) Malaysian economy is expected to moderate in 2023 amid challenging external conditions and slowing domestic demand. As the insurance industry faces rising claims and reinsurance costs, global political and economic uncertainties and rapidly changing operating models, the ability to change and effectively adapt quickly remains as important as ever. The LPI Group remains confident of its ability to adapt and innovate under such circumstances. The LPI Group will remain focus on business growth to offset the expected compression in margins arising from the implementation of Phase 2A of the market liberalisation plan. We will continue to drive our digital transformation to improve the customer experience and enhance operational efficiency. The LPI Group's prudent underwriting approach and diversified business development channels will facilitate it to weather the numerous challenges in FY2023.

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 **31.12.2022**	Preceding Year Corresponding Quarter Ended **31.12.2021**	Current Year To Date Ended **31.12.2022**	Preceding Year Corresponding Period Ended **31.12.2021**
Profit before tax	120,931	97,932	373,461	437,316
Income tax:				
Current tax charge	36,937	27,823	90,217	104,128
Under/(Over) provision in prior year	69	(502)	(1,260)	(502)
Deferred taxation	359	(2,456)	7,897	(10,989)
Total tax expense	37,365	24,865	96,854	92,637
Effective tax rate on current tax charge	31%	26%	26%	21%

The effective tax rate on the current tax charge of the Group for the current quarter and current financial year ended 31 December 2022 is higher than the statutory tax rate mainly due to the one-off prosperity tax of 33% on chargeable income in excess of RM100.0 million.

B7. STATUS OF CORPORATE PROPOSALS

a) There was no corporate proposal announced but not completed as at 31 January 2023, 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 financial year ended 31 December 2022.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 December 2022. – 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 year ended 31 December 2022.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 31 January 2023, which is not earlier than 7 days from date of issue of this quarterly report.

B12. DIVIDEND

a. i) The Directors had declared a second interim single tier dividend for the financial year ended 31 December 2022.

ii) The amount per share: 35.00 sen single tier.

iii) The previous corresponding period for second interim single tier dividend: 45.00 sen single tier.

iv) The date payable: 2 March 2023.

v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 22 February 2023.

b. The total dividend for the financial year ended 31 December 2022:-

	Net per share (sen)
First Interim Dividend	
• Single tier dividend	25.00
Second Interim Dividend	35.00
• Single tier dividend	
	60.00

B13. EARNINGS PER SHARE

a) Basic earnings per share

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **31.12.2022**	Preceding Year Corresponding Quarter Ended **31.12.2021**	Current Year To Date Ended **31.12.2022**	Preceding Year Corresponding Period Ended **31.12.2021**
Profit after tax (RM'000)	83,566	73,067	276,607	344,679
Weighted average no. of ordinary shares in issue ('000)	398,383	398,383	398,383	398,383
Basic earnings per share (sen)	20.97	18.34	69.43	86.52

b) Diluted earnings per share. – Not Applicable.

B14. PROFIT FOR THE PERIOD

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **31.12.2022** RM'000	Preceding Year Corresponding Quarter Ended **31.12.2021** RM'000	Current Year To Date Ended **31.12.2022** RM'000	Preceding Year Corresponding Period Ended **31.12.2021** RM'000
Profit for the period is arrived at after charging:				
Finance costs	310	343	1,253	1,572
Depreciation of plant and equipment *(N1)*	681	717	2,841	3,222
Depreciation of right-of-use assets *(N1)*	1,776	1,689	7,052	6,654
Amortisation of intangible assets *(N1)*	1,012	866	3,928	3,398
Net impairment loss on insurance receivables	-	-	-	92
Net impairment loss on investments carried at amortised cost	1	1	-	1
Bad debts written off *(N1)*	-	539	-	539
and after crediting:				
Interest income *(N2)*	10,952	6,790	34,047	27,121
Dividend income *(N2)*	17,221	7,689	65,595	77,906
Rental income *(N2)*	213	198	801	665
Net reversal of impairment loss on insurance receivables	282	527	841	-
Net foreign exchange gain *(N1)*	275	177	498	364
Bad debts recovered *(N1)*	-	-	4	-

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 year ended 31 December 2022.

(N1) Depreciation of plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, bad debts written off /(recovered) and net foreign exchange loss/(gain) 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 is 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**
31.12.2022						
Insurance receivables	7,439	5,384	618	-	-	13,441
31.12.2021						
Insurance receivables	11,816	2,493	3,565	584	-	18,458

The past due trade receivables above are deemed collectable.

The following table shows 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	2022				2021			
	12-months ECL		Lifetime ECL		12-months ECL		Lifetime ECL	
	Corporate bonds and sukuk	Due from reinsurers and cedants	Due premiums including agents and brokers and co-insurers	Total	Corporate bonds and sukuk	Due from reinsurers and cedants	Due premiums including agents and brokers and co-insurers	Total
Balance at 1 January	6	7	2,723	2,736	5	51	2,586	2,642
Net remeasurement of allowance for impairment	-	10	(851)	(841)	1	(44)	136	93
Effect of movement in exchange rates	-	-	2	2	-	-	1	1
Balance at 31 December	6	17	1,874	1,897	6	7	2,723	2,736

B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

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