LPI CAPITAL BHD

Condensed Consolidated Statement of Profit or Loss for the Quarter Ended 31 March 2023 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **31.03.2023** RM'000	Restated Preceding Year Corresponding Quarter Ended **31.03.2022** RM'000	Current Year To Date Ended **31.03.2023** RM'000	Restated Preceding Year Corresponding Period Ended **31.03.2022** RM'000
Operating revenue	463,300	416,092	463,300	416,092
Insurance revenue	430,864	387,441	430,864	387,441
Insurance service expenses	(174,639)	(405,301)	(174,639)	(405,301)
Net (expenses)/income from reinsurance contracts	(195,202)	84,484	(195,202)	84,484
Insurance service result	61,023	66,624	61,023	66,624
Investment income	32,436	28,651	32,436	28,651
Net fair value gains/(losses)	10,256	(3,980)	10,256	(3,980)
Investment return	42,692	24,671	42,692	24,671
Net finance expenses from insurance contracts	(18,859)	(7,746)	(18,859)	(7,746)
Net finance income from reinsurance contracts	10,462	3,781	10,462	3,781
Net financial result	34,295	20,706	34,295	20,706
Other income	1,003	201	1,003	201
Other operating expenses	(5,220)	(5,921)	(5,220)	(5,921)
Other finance costs	(301)	(326)	(301)	(326)
Share of profit after tax of equity accounted associated company	590	184	590	184
Profit before tax	91,390	81,468	91,390	81,468
Tax expense	(17,556)	(16,568)	(17,556)	(16,568)
Profit for the period	73,834	64,900	73,834	64,900
Profit attributable to:				
Owners of the Company	73,834	64,900	73,834	64,900
Earnings per ordinary share (sen)				
- Basic	18.53	16.29	18.53	16.29
- 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 2022.

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter Ended 31 March 2023 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **31.03.2023** RM'000	Restated Preceding Year Corresponding Quarter Ended **31.03.2022** RM'000	Current Year To Date Ended **31.03.2023** RM'000	Restated Preceding Year Corresponding Period Ended **31.03.2022** RM'000
Profit for the period	73,834	64,900	73,834	64,900
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	3,462	621	3,462	621
Net finance expenses from insurance contracts	(7,993)	(548)	(7,993)	(548)
Net finance income from reinsurance contracts	5,069	3,490	5,069	3,490
Items that will not be reclassified to profit or loss				
Net (losses)/gains on investments in equity instruments designated at fair value through other comprehensive income	(70,593)	112,338	(70,593)	112,338
Income tax relating to these items	507	(696)	507	(696)
Total other comprehensive (expense)/income for the period, net of tax	(69,548)	115,205	(69,548)	115,205
Total comprehensive income for the period attributable to owners of the Company	4,286	180,105	4,286	180,105

Note : The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2022.

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Condensed Consolidated Statement of Financial Position As At 31 March 2023 - Unaudited

	As At **31.03.2023**	Restated As At **31.12.2022**	Restated As At **1.1.2022**
	RM'000	RM'000	RM'000
Assets			
Plant and equipment	6,170	6,736	4,717
Right-of-use assets	42,076	43,372	47,821
Investment properties	30,594	29,862	27,316
Intangible assets	4,818	5,440	8,401
Investment in an associated company	42,819	42,387	39,446
Other investments	2,732,760	2,607,994	3,095,543
Fair value through other comprehensive income	881,178	951,672	916,424
Fair value through profit or loss	1,154,205	1,140,334	1,137,794
Amortised cost	697,377	515,988	1,041,325
Reinsurance contract assets	1,187,279	1,315,810	1,095,522
Loans and receivables	73,671	73,108	80,882
Cash and cash equivalents	483,997	724,911	87,900
Total assets	4,604,184	4,849,620	4,487,548
Equity			
Share capital	398,383	398,383	398,383
Reserves	1,675,065	1,810,213	1,791,326
Total equity	2,073,448	2,208,596	2,189,709
Liabilities			
Insurance contract liabilities	2,435,365	2,544,403	2,195,087
Deferred tax liabilities	25,109	8,584	7,686
Lease liabilities	44,137	45,384	49,630
Other payables	22,962	22,756	20,555
Current tax payables	3,163	19,897	24,881
Total liabilities	2,530,736	2,641,024	2,297,839
Total equity and liabilities	4,604,184	4,849,620	4,487,548

Note : The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2022.

LPI CAPITAL BHD

Condensed Consolidated Statement of Changes in Equity for the Period Ended 31 March 2023 - Unaudited

	← Non-distributable			→	Distributable	
	Share capital RM'000	Foreign currency translation reserve RM'000	Insurance finance reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
3 Months Period Ended 31 March 2023						
At 1 January 2023, restated	398,383	35,155	350	791,936	982,772	2,208,596
Foreign currency translation differences for foreign operation	-	3,462	-	-	-	3,462
Net finance expenses from insurance contracts	-	-	(7,993)	-	-	(7,993)
Net finance income from reinsurance contracts	-	-	5,069	-	-	5,069
Net losses on investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(70,086)	-	(70,086)
Total other comprehensive income/(expense) for the period	-	3,462	(2,924)	(70,086)	-	(69,548)
Profit for the period	-	-	-	-	73,834	73,834
Total comprehensive income/(expense) for the period	-	3,462	(2,924)	(70,086)	73,834	4,286
Distributions to owners of the Company						
Dividends to owners of the Company	-	-	-	-	(139,434)	(139,434)
Total transaction with owners of the Company	-	-	-	-	(139,434)	(139,434)
At 31 March 2023	398,383	38,617	(2,574)	721,850	917,172	2,073,448

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Condensed Consolidated Statement of Changes in Equity for the Period Ended 31 March 2023 - Unaudited (continued)

	←	Non-distributable		→	Distributable	
	Share capital RM'000	Foreign currency translation reserve RM'000	Insurance finance reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
3 Months Period Ended 31 March 2022						
At 1 January 2022, as previously reported	398,383	25,709	-	756,981	959,949	2,141,022
Changes on initial application of MFRS 17	-	-	(1,022)	-	49,709	48,687
Restated balance at 1 January 2022	398,383	25,709	(1,022)	756,981	1,009,658	2,189,709
Foreign currency translation differences for foreign operation	-	621		-	-	621
Net finance expenses from insurance contracts	-	-	(548)	-	-	(548)
Net finance income from reinsurance contracts	-	-	3,490	-	-	3,490
Net gains on investments in equity instruments designated at fair value through other comprehensive income	-	-	-	111,642	-	111,642
Total other comprehensive income for the period	-	621	2,942	111,642	-	115,205
Profit for the period	-	-	-	-	64,900	64,900
Total comprehensive income for the period, restated	-	621	2,942	111,642	64,900	180,105
Distributions to owners of the Company						
Dividends to owners of the Company	-	-	-	-	(179,272)	(179,272)
Total transaction with owners of the Company	-	-	-	-	(179,272)	(179,272)
Restated balance at 31 March 2022	398,383	26,330	1,920	868,623	895,286	2,190,542

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 2022.

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Condensed Consolidated Statement of Cash Flow
for the Period Ended 31 March 2023 - Unaudited

	Current Year To Date Ended **31.03.2023** RM'000	Restated Preceding Year Corresponding Period Ended **31.03.2022** RM'000
Operating activities		
Profit before tax	91,390	81,468
Investment income	(32,436)	(28,651)
Net realised gains recorded in profit or loss	-	(5)
Net fair value (gains)/losses recorded in profit or loss	(10,256)	3,980
Share of profit of equity accounted associated company	(590)	(184)
Interest on lease liabilities	301	326
Non-cash items:		
Depreciation of plant and equipment	657	702
Depreciation of right-of-use assets	1,778	1,742
Amortisation of intangible assets	1,048	930
Unrealised foreign exchange loss/(gain)	16	(57)
Changes in working capital:		
Other investments	(183,742)	135,374
Loans and receivables	585	(750)
Reinsurance contract assets	134,348	(174,975)
Insurance contract liabilities	(120,838)	202,204
Other payables	39	119
Cash (used in)/generated from operating activities	(117,700)	222,223
Dividend income received	19,669	21,494
Interest income received	12,577	7,024
Rental income on investment property received	232	184
Interest paid	(301)	(326)
Income tax paid	(17,325)	(23,811)
Net cash flows (used in)/generated from operating activities	(102,848)	226,788

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Condensed Consolidated Statement of Cash Flow
for the Period Ended 31 March 2023 - Unaudited (continued)

	Current Year To Date Ended **31.03.2023** RM'000	Restated Preceding Year Corresponding Period Ended **31.03.2022** RM'000
Investing activities		
Proceeds from disposal of plant and equipment	-	5
Purchase of plant and equipment	(81)	(1,553)
Purchase of intangible assets	(421)	(615)
Net cash flows used in investing activities	(502)	(2,163)
Financing activities		
Dividends paid to owners of the Company	(139,434)	(179,272)
Payment of lease liabilities	(1,734)	(1,701)
Net cash flows used in financing activities	(141,168)	(180,973)
Net (decrease)/increase in cash and cash equivalents	(244,518)	43,652
Cash and cash equivalents at 1 January	724,911	87,900
Effect of movement in exchange rates	3,604	485
Cash and cash equivalents at 31 March	483,997	132,037

Note : The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2022.

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 2022 ("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/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

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

A2. CHANGES IN ACCOUNTING POLICIES

MFRS 17, Insurance Contracts

The Group has initially applied MFRS 17 from 1 January 2023, replacing MFRS 4. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Group has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of MFRS 17 are summarised below:

i. Identifying contracts in the scope of MFRS 17

The Group has not noticed any 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.

A2. CHANGES IN ACCOUNTING POLICIES (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, for certain contracts, the MFRS 17 contract boundary requirements 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 ends 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.

A2. CHANGES IN ACCOUNTING POLICIES (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 measures 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.

- 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 uses 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 are discounted using risk-free yield curves.

A2. CHANGES IN ACCOUNTING POLICIES (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.

A2. CHANGES IN ACCOUNTING POLICIES (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 applies the same accounting policies to measure a group of reinsurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the assets for remaining coverage and the assets for incurred claims. The assets 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.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 17, Insurance Contracts (continued)

iv. Measurement (continued)

Reinsurance contracts (continued)

The Group measures 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 represents 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:

- Recognises 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

- Recognises 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.

A2. CHANGES IN ACCOUNTING POLICIES (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 has not recognised 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 incorporates, 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 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.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 17, Insurance Contracts (continued)

v. Significant judgements and estimates (continued)

Estimates of future cash flows (continued)

Cash flows are 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 are 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 generally determines 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 is a significant change from the Group's previous practice, where liabilities for insurance contracts were not discounted.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. The Group applies 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 estimates 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 is 75^{th} percentile, in line with the regulatory requirement of Bank Negara Malaysia under the Risk-Based Capital Framework for Insurers.

A2. CHANGES IN ACCOUNTING POLICIES (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

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 are presented on a net basis; therefore, balances such as insurance receivables and payables are no longer be presented separately. Any assets or liabilities for cash flows arising before the recognition of the related group of contracts are 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.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 17, Insurance Contracts (continued)

vi. Presentation and disclosure (continued)

Insurance service result

Insurance revenue in each reporting period 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 are 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 are presented outside the insurance service results.

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

The Group has chosen 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 has chosen to disaggregate insurance finance income or expenses between profit or loss and OCI. The amount included in profit or loss is 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 is determined using the discount rates determined on initial recognition of the group of contracts.

A2. CHANGES IN ACCOUNTING POLICIES (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 are expanded disclosures about the nature and extent of risk from insurance and reinsurance contracts. Disclosures are generally 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 have been applied using a full retrospective approach to the extent practicable. If it was impracticable to apply a full retrospective approach to a group of contracts, then the Group would choose between modified retrospective approach and the fair value approach. However, if the Group could not obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applied 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 had not been collected with sufficient granularity or was 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 required assumptions about what Group’s management’s intentions would have been in previous periods or significant accounting estimates that could not 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.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 17, Insurance Contracts (continued)

vii. Transition (continued)

Full retrospective approach

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

- Identified, recognised and measured each group of insurance and reinsurance contracts as if MFRS 17 had always been applied;

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

- Recognised 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 has applied each of the following modifications only to the extent it did not have reasonable and supportable information to apply MFRS 17 retrospectively:

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

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

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

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

The Group has applied the transition provisions in MFRS 17 and has not disclosed the impact of the adoption of MFRS 17 on each financial statement line item and earnings per share. The effects of adopting MFRS 17 on the consolidated financial statements at 1 January 2022 are presented in the statement of changes in equity.

A3. COMMENTS ON SEASONALITY OR CYCLICALITY

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

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

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

There were no items affecting assets, liabilities, equity, net income, or cash flows which are unusual because of their nature, size, or incidence in the current interim period ended 31 March 2023.

A5. 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.

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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by LPI Capital Bhd ("LPI") in the current interim period ended 31 March 2023.

A7. DIVIDEND PAID

In the current interim period ended 31 March 2023, the Company paid a second interim single tier dividend of 35.00 sen per ordinary share amounting to RM139,433,964 in respect of the financial year ended 31 December 2022 on 2 March 2023.

A8. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, 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.

A8. 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	3 Months Ended					
	General insurance		Investment holding		Total	
	2023	**(Restated) 2022**	**2023**	**(Restated) 2022**	**2023**	**(Restated) 2022**
External revenue	452,215	399,319	11,085	16,773	463,300	416,092
Inter-segment revenue	-	-	120,000	130,000	120,000	130,000
Segment profit before tax	82,395	67,133	128,995	144,335	211,390	211,468
Segment assets	3,721,531	3,648,523	1,082,653	1,235,243	4,804,184	4,883,766
Segment liabilities	2,527,563	2,489,958	3,173	3,266	2,530,736	2,493,224

A8. OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

i) Reconciliation of reportable segment profit:

RM'000	3 Months Ended 2023	3 Months Ended (Restated) 2022
Total profit for reportable segments	211,390	211,468
Elimination of inter-segment profit	(120,000)	(130,000)
Consolidated profit before tax	91,390	81,468

ii) Reconciliation of reportable segment assets:

RM'000	3 Months Ended 2023	3 Months Ended (Restated) 2022
Total assets for reportable segments	4,804,184	4,883,766
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	4,604,184	4,683,766

A9. EVENTS AFTER THE INTERIM PERIOD

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

A10. EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP

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

A11. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

On 22 February 2017, Lonpac Insurance Bhd (“Lonpac”), a wholly-owned subsidiary of LPI Capital Bhd (“LPI”), received a Notice of Proposed Decision 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 2022.

A12. FINANCIAL INSTRUMENTS

Fair value information

The carrying amounts of cash and cash equivalents, fixed and call deposits, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

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

31.03.2023	**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	881,178	-	-	881,178	-	-	-	-	881,178	881,178
Mandatorily at fair value through profit or loss										
- Unit trusts	912,878	-	-	912,878	-	-	-	-	912,878	912,878
- Real estate investment trusts ("REITs")	3,249	-	-	3,249	-	-	-	-	3,249	3,249
- Exchange-traded fund ("ETF")	620	-	-	620	-	-	-	-	620	620
- Quoted shares	4,376	-	-	4,376	-	-	-	-	4,376	4,376
- Unquoted shares	-	-	1,472	1,472	-	-	-	-	1,472	1,472
- Corporate bonds and sukuk	-	231,610	-	231,610	-	-	-	-	231,610	231,610
Amortised cost										
- Malaysian government securities	-	-	-	-	-	15,126	-	15,126	15,126	15,285
- Government investment issues	-	-	-	-	-	39,558	-	39,558	39,558	39,802
- Malaysian government guaranteed loans	-	-	-	-	-	85,279	-	85,279	85,279	85,000
- Corporate bonds and sukuk	-	-	-	-	-	50,711	-	50,711	50,711	51,073
	1,802,301	231,610	1,472	2,035,383	-	190,674	-	190,674	2,226,057	2,226,543

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

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

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the current interim period ended 31 March 2023 (31.12.2022: no transfer in either directions).

Level 3 fair value

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

	2023 RM'000	**2022 RM'000**
Unquoted shares		
Balance as at 1 January	1,472	1,392
Fair value gains recognised in profit or loss	-	80
Balance as at 31 March 2023 / 31 December 2022	1,472	1,472

A12. 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.

A13. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

RM'000	Associated Company		Companies Under Common Significant Influence	
	Current Year To Date Ended **31.03.2023**	Preceding Year Corresponding Period Ended **31.03.2022**	Current Year To Date Ended **31.03.2023**	Preceding Year Corresponding Period Ended **31.03.2022**
Income earned:				
Premium income	338	325	29,603	30,042
Dividend income	-	-	11,014	16,963
Fixed deposits income	-	-	523	806
Interest/profit income from corporate bonds and sukuk	-	-	378	352
	338	325	41,518	48,163
Expenditure incurred:				
Rental paid	-	-	(999)	(999)
Insurance commission	(96)	(92)	(12,919)	(12,891)
	(96)	(92)	(13,918)	(13,890)

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				Cumulative Period			
RM'mil	Current Year Quarter Ended 31.03.2023	(Restated) Preceding Year Corresponding Quarter Ended 31.03.2022	Changes Amount	Changes % / ppt (*)	Current Year To Date Ended 31.03.2023	(Restated) Preceding Year Corresponding Period Ended 31.03.2022	Changes Amount	Changes % / ppt (*)
Revenue by segments								
General insurance segment	452.2	399.3	52.9	13.2%	452.2	399.3	52.9	13.2%
Insurance revenue	430.9	387.4	43.5	11.2%	430.9	387.4	43.5	11.2%
Investment income	21.3	11.9	9.4	79.0%	21.3	11.9	9.4	79.0%
Investment holding segment								
Investment income	11.1	16.8	(5.7)	(33.9)%	11.1	16.8	(5.7)	(33.9)%
Total revenue	463.3	416.1	47.2	11.3%	463.3	416.1	47.2	11.3%
Revenue by geographical locations								
Malaysia	428.6	387.9	40.7	10.5%	428.6	387.9	40.7	10.5%
Singapore	34.7	28.2	6.5	23.0%	34.7	28.2	6.5	23.0%
Total revenue	463.3	416.1	47.2	11.3%	463.3	416.1	47.2	11.3%

(* 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 31.03.2023	(Restated) Preceding Year Corresponding Quarter Ended 31.03.2022	Amount	% / ppt (*)	Current Year To Date Ended 31.03.2023	(Restated) Preceding Year Corresponding Period Ended 31.03.2022	Amount	% / ppt (*)
Profit before tax by segments								
General insurance (RM'mil)	82.4	67.2	15.2	22.6%	82.4	67.2	15.2	22.6%
Investment holding (RM'mil)	9.0	14.3	(5.3)	(37.1)%	9.0	14.3	(5.3)	(37.1)%
Total profit before tax	91.4	81.5	9.9	12.1%	91.4	81.5	9.9	12.1%
Profit before tax by geographical locations								
Malaysia (RM'mil)	87.7	81.8	5.9	7.2%	87.7	81.8	5.9	7.2%
Singapore (RM'mil)	3.1	(0.5)	3.6	720.0%	3.1	(0.5)	3.6	720.0%
Cambodia (RM'mil)	0.6	0.2	0.4	200.0%	0.6	0.2	0.4	200.0%
Total profit before tax	91.4	81.5	9.9	12.1%	91.4	81.5	9.9	12.1%
Profit attributable to owners of the Company (RM'mil)	73.8	64.9	8.9	13.7%	73.8	64.9	8.9	13.7%
Net return on equity (%)	3.6	3.0	-	0.6 ppt	3.6	3.0	-	0.6 ppt
Earnings per share (sen)	18.53	16.29	2.24	13.8%	18.53	16.29	2.24	13.8%

(* 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 31.03.2023	(Restated) Preceding Year Corresponding Quarter Ended 31.03.2022	Amount	% / ppt (*)	Current Year To Date Ended 31.03.2023	(Restated) Preceding Year Corresponding Period Ended 31.03.2022	Amount	% / ppt (*)
Gross written premiums (RM'mil)	489.4	476.7	12.7	2.7%	489.4	476.7	12.7	2.7%
Net claims incurred ratio (%)	51.8	44.7	-	7.1 ppt	51.8	44.7	-	7.1 ppt
Management expenses ratio (%)	20.1	23.2	-	(3.1) ppt	20.1	23.2	-	(3.1) ppt
Net commission ratio (%)	7.6	7.1	-	0.5 ppt	7.6	7.1	-	0.5 ppt
Net insurance finance cost ratio (%)	3.3	1.6	-	1.7 ppt	3.3	1.6	-	1.7 ppt
Losses on onerous contracts ratio (%)	(1.4)	0.4	-	(1.8) ppt	(1.4)	0.4	-	(1.8) ppt
Combined ratio (%)	81.2	77.0	-	4.2 ppt	81.2	77.0	-	4.2 ppt

(* ppt – percentage points)

The above financial ratios were computed based on the Group's internal management accounts.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 2: Insurance service result by portfolio for the financial period ended 31 March:

RM'000	Fire 2023	Fire (Restated) 2022	Motor 2023	Motor (Restated) 2022	Marine, Aviation & Transit 2023	Marine, Aviation & Transit (Restated) 2022	Miscellaneous 2023	Miscellaneous (Restated) 2022	Total 2023	Total (Restated) 2022
Insurance revenue	192,625	155,941	94,998	86,694	24,635	23,158	118,606	121,648	430,864	387,441
Incurred claims	56,693	(161,809)	(63,244)	(69,343)	(15,333)	(8,150)	(51,786)	(66,686)	(73,670)	(305,988)
Other incurred insurance service expenses	(3,593)	(11,911)	(4,990)	(5,549)	(678)	(721)	(5,841)	(4,875)	(15,102)	(23,056)
Amortisation of commission expense	(20,958)	(20,945)	(8,883)	(8,401)	(1,673)	(1,457)	(14,907)	(12,916)	(46,421)	(43,719)
Amortisation of other insurance acquisition cash flows	(10,942)	(10,978)	(10,192)	(10,234)	(1,788)	(1,652)	(10,184)	(9,191)	(33,106)	(32,055)
Reversals of losses/(losses) on onerous contracts	-	92	3,390	891	53	561	(9,783)	(2,027)	(6,340)	(483)
Insurance service expenses	21,200	(205,551)	(83,919)	(92,636)	(19,419)	(11,419)	(92,501)	(95,695)	(174,639)	(405,301)
Allocation of reinsurance premiums paid	(80,504)	(35,086)	(8,503)	(4,019)	(16,719)	(15,450)	(39,475)	(53,326)	(145,201)	(107,881)
Recoveries of incurred claims	(95,088)	140,165	(7,191)	(3,143)	16,298	6,419	26,036	49,409	(59,945)	192,850
(Reversals of recoveries)/ recoveries of losses on onerous underlying contracts	-	(33)	3,023	(35)	(29)	(567)	6,950	150	9,944	(485)
Net (expenses)/income from reinsurance contracts	(175,592)	105,046	(12,671)	(7,197)	(450)	(9,598)	(6,489)	(3,767)	(195,202)	84,484
Insurance service result	38,233	55,436	(1,592)	(13,139)	4,766	2,141	19,616	22,186	61,023	66,624

The below financial information was extracted from the Group's internal management accounts.

	Fire 2023	Fire (Restated) 2022	Motor 2023	Motor (Restated) 2022	Marine, Aviation & Transit 2023	Marine, Aviation & Transit (Restated) 2022	Miscellaneous 2023	Miscellaneous (Restated) 2022	Total 2023	Total (Restated) 2022
Gross written premiums	201,150	195,934	98,731	90,002	32,445	32,270	157,079	158,445	489,405	476,651

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Revenue

For the 1st quarter of financial year 2023, the Group's revenue increased by RM47.2 million to RM463.3 million from RM416.1 million recorded in the corresponding quarter in 2022. The 11.3% growth in revenue was largely contributed by its general insurance segment, which increased by RM52.9 million to RM452.2 million as compared to RM399.3 million in the corresponding quarter in 2022. The increase was mainly contributed by higher insurance revenue of RM430.9 million as compared to RM387.4 million in the corresponding quarter in 2022. Investment holding segment recorded lower revenue of RM11.1 million as compared to RM16.8 million in the corresponding quarter in 2022 due to lower dividend income received.

Profit Before Tax

Profit before tax of the Group for the 1st quarter of financial year 2023 increased by 12.1% or RM9.9 million to RM91.4 million from RM81.5 million in the corresponding quarter in 2022. The increase was driven by the higher profit from general insurance segment, which increased by 22.6% or RM15.2 million to RM82.4 million from RM67.2 million in the 1st quarter of financial year 2022, mainly contributed by net fair value gains of RM10.3 million in its investments as compared to RM4.0 million net fair value losses registered in the corresponding quarter last year. The investment holding segment recorded a lower profit before tax of RM9.0 million as compared to RM14.3 million in the corresponding quarter in 2022 mainly due to lower tax-exempt dividend income received from its equity investment during the 1st quarter of financial year 2023.

Business operations in Malaysia contributed 96.0% of the Group's total profit before tax in the 1st quarter of financial year 2023.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

RM'mil	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31.03.2023	(Restated) Preceding Year Corresponding Quarter Ended 31.03.2022	Current Year To Date Ended 31.03.2023	(Restated) Preceding Year Corresponding Period Ended 31.03.2022
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	3.5	0.6	3.5	0.6
Net finance expenses from insurance contracts	(8.0)	(0.5)	(8.0)	(0.5)
Net finance income from reinsurance contracts	5.1	3.5	5.1	3.5
Items that will not be reclassified to profit or loss				
Net (losses)/gains on investments in equity instruments designated at				
fair value through other comprehensive income	(70.6)	112.3	(70.6)	112.3
Income tax relating to these items	0.5	(0.7)	0.5	(0.7)
Total other comprehensive (expense)/income for the period, net of tax	(69.5)	115.2	(69.5)	115.2

The Group's total other comprehensive income for the three months ended 31 March 2023 recorded a net loss of RM69.5 million as compared to net gain of RM115.2 million in the corresponding quarter in 2022. The net loss recorded was mainly due to the decline in the market value of its investment in quoted equities.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 4: Review of assets and liabilities

RM'mil	As at 31.03.2023	(Restated) As at 31.12.2022	Changes	
			Amount	%
Total assets	4,604.2	4,849.6	(245.4)	(5.1%)
Total liabilities	2,530.7	2,641.0	(110.3)	(4.2%)
Total equity	2,073.5	2,208.6	(135.1)	(6.1%)

Total assets

As at 31 March 2023, the Group's total assets decreased by RM245.4 million to RM4,604.2 million from RM4,849.6 million as at 31 December 2022. The decrease was mainly due to lower cash and cash equivalents and reinsurance contract assets. The general insurance segment accounted for 80.8% of the Group's total assets as at 31 March 2023.

Total liabilities

As at 31 March 2023, total liabilities of the Group decreased by RM110.3 million to RM2,530.7 million from RM2,641.0 million as at 31 December 2022. This was mainly due to RM109.0 million decrease in insurance contract liabilities of its general insurance segment.

Total equity

The Group's total equity decreased by 6.1% or RM135.1 million to RM2,073.5 million from RM2,208.6 million as at 31 December 2022. The Group's retained earnings recorded a net decrease of RM65.6 million resulting from the payment of dividends of RM139.4 million offset by the current period's net profit of RM73.8 million. The fair value reserves decreased by RM70.1 million mainly due to the lower market value of quoted equity investment designated as fair value through other comprehensive income. Therefore, net tangible asset per share also decreased to RM5.19 from RM5.53 as at 31 December 2022.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

Exchange rate as at 31.03.2023 SGD1.00 = RM3.34	Functional Currency SGD'000	Reporting Currency RM'000
Insurance revenue	9,648	32,226
Investment income	732	2,444
Total revenue	10,380	34,670
Profit before tax	935	3,124
Profit after tax	727	2,429
Total assets	63,482	212,030
Total liabilities	54,176	180,948

For consolidation purpose, the financial statements of Singapore Branch of its subsidiary, Lonpac Insurance Bhd are translated from SGD to RM at exchange rate at the end of the reporting period.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 6: Review of statement of cash flow

RM'mil	Current Year To Date Ended 31.03.2023	(Restated) Preceding Year Corresponding Period Ended 31.03.2022
Profit after tax	73.8	64.9
Net cash flows (used in)/generated from operating activities	(102.8)	226.8
Net cash flows used in investing activities	(0.5)	(2.2)
Net cash flows used in financing activities	(141.2)	(181.0)
Net (decrease)/increase in cash and cash equivalents	(244.5)	43.6
Cash and cash equivalents at 1 January	724.9	87.9
Effect of movement in exchange rates	3.6	0.5
Cash and cash equivalents at 31 March	484.0	132.0

For the three months period ended 31 March 2023, the cash flow from operating activities of the Group reported net cash used at RM102.8 million mainly due to the Group having placed more fixed deposits with the tenure of more than 3 months.

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 is underwriting of general insurance. The Group's investing activities for the current financial period amounted to RM0.5 million, mainly relating to information technology expenditure.

The Group's balance sheet did not carry any debts other than insurance contract liabilities which decreased by RM109.0 million to RM2,435.4 million as at 31 March 2023. The Group had generated sufficient cash flow to pay second interim dividend of 35.0 sen per share amounting to RM139.4 million on 2 March 2023 in respect of the financial year ended 31 December 2022.

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

	Current Year Quarter Ended 31.03.2023	(Restated) Immediate Preceding Quarter Ended 31.12.2022	Changes	
			Amount	% / ppt
Insurance revenue (RM'mil)	430.9	352.2	78.7	22.3%
Investment income (RM'mil)	32.4	28.3	4.1	14.5%
Total revenue (RM'mil)	463.3	380.5	82.8	21.8%
Profit before tax (RM'mil)	91.4	82.7	8.7	10.5%
Profit attributable to owners of the Company (RM'mil)	73.8	55.2	18.6	33.7%
Net return on equity (%)	3.6	2.5	-	1.1 ppt
Earnings per share (sen)	18.53	13.86	4.67	33.7%
Gross written premiums (RM'mil)	489.4	371.1	118.3	31.9%
Insurance service result (RM'mil)	61.0	60.6	0.4	0.7%
Net claims incurred ratio (%)	51.8	38.3	-	13.5 ppt
Management expenses ratio (%)	20.1	18.6	-	1.5 ppt
Net commission ratio (%)	7.6	8.0	-	(0.4) ppt
Net insurance finance cost ratio (%)	3.3	2.0	-	1.3 ppt
Losses on onerous contracts ratio (%)	(1.4)	11.7	-	(13.1) ppt
Combined ratio (%)	81.2	78.6	-	2.6 ppt

For the 1st quarter of financial year 2023, the Group recorded a higher profit before tax of RM91.4 million as compared to RM82.7 million in the preceding quarter ended 31 December 2022. The increase in the profit before tax for the said quarter was mainly contributed by the higher net fair value gains on its investments.

B3. CURRENT YEAR PROSPECTS

a) Growth in domestic demand is expected to remain strong in 2023, and will be supported by expansionary measures outlined in the Government's 2023 Budget. The resumption of full economic activities will enable the Group to expand its market through new opportunities. However, the expected implementation of wider phased liberalisation measures will continue to exert greater competitive pressure on the general insurance industry, resulting in new challenges. In response, the Group will continue to identify and expand its distribution channels to reach out to a wider segment of its targeted market, and establish new streams of intermediaries to strengthen its presence.

   While high inflation rates will continue to elevate claim costs and keener competition will further compress underwriting margin, the LPI Group will endeavour to further improve its market position and enhance its underwriting and claims management to ensure a better Insurance Service Result.

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

	Individual Period		Cumulative Period	
		(Restated)		(Restated)
RM'000	Current Year Quarter Ended **31.03.2023**	Preceding Year Corresponding Quarter Ended **31.03.2022**	Current Year To Date Ended **31.03.2023**	Preceding Year Corresponding Period Ended **31.03.2022**
Profit before tax	91,390	81,468	91,390	81,468
Income tax:				
Current tax charge	542	7,063	542	7,063
Over provision in prior year	-	(96)	-	(96)
Deferred taxation	17,014	9,601	17,014	9,601
Total tax expense	17,556	16,568	17,556	16,568
Effective tax rate on current tax charge	19%	20%	19%	20%

The effective tax rate on the current tax charge of the Group for the current quarter and current financial period ended 31 March 2023 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 13 April 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 interim period ended 31 March 2023.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 March 2023. – 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 2023.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 13 April 2023, 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	
		(Restated)		(Restated)
	Current Year Quarter Ended **31.03.2023**	Preceding Year Corresponding Quarter Ended **31.03.2022**	Current Year To Date Ended **31.03.2023**	Preceding Year Corresponding Period Ended **31.03.2022**
Profit after tax (RM'000)	73,834	64,900	73,834	64,900
Weighted average no. of ordinary shares in issue ('000)	398,383	398,383	398,383	398,383
Basic earnings per share (sen)	18.53	16.29	18.53	16.29

b) Diluted earnings per share. – Not Applicable.

B14. PROFIT FOR THE PERIOD

	Individual Period		Cumulative Period	
		(Restated)		(Restated)
	Current Year Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year Corresponding Period Ended
	31.03.2023	**31.03.2022**	**31.03.2023**	**31.03.2022**
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Depreciation of plant and equipment *(N1)*	657	702	657	702
Depreciation of right-of-use assets *(N1)*	1,778	1,742	1,778	1,742
Amortisation of intangible assets *(N1)*	1,048	930	1,048	930
Net foreign exchange loss *(N1)*	51	-	51	-
and after crediting:				
Interest income *(N2)*	12,535	6,973	12,535	6,973
Dividend income *(N2)*	19,669	21,494	19,669	21,494
Rental income *(N2)*	232	184	232	184
Net foreign exchange gain *(N1)*	-	46	-	46

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 2023.

(N1) Depreciation of plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and net foreign exchange loss/(gain) are reported under item insurance service expenses and other operating 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

Amount due from policyholders, agents, brokers, co-insurers and reinsurers ("trade receivables"), was either net off with insurance contract liabilities or reinsurance contract assets. However, this amount is still subject to credit risk.

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**
31.03.2023						
Trade receivables arise from insurance contracts	110,606	24,417	78,273	18,997	2,004	234,297
Trade receivables arise from reinsurance contracts	4,895	1,621	925	2,479	-	9,920
31.12.2022 (Restated)						
Trade receivables arise from insurance contracts	95,851	32,151	22,786	12,797	1,047	164,632
Trade receivables arise from reinsurance contracts	22,636	3,590	-	1,059	-	27,285

The past due trade receivables above are deemed collectable.

B15. ADDITIONAL DISCLOSURE INFORMATION (CONTINUED)

The following table shows reconciliations from the opening balance to the closing balance of the allowance for impairment of trade receivables.

RM'000	12-months ECL Due from reinsurers and cedants	Lifetime ECL Due premiums including agents and brokers and co-insurers	Total
Balance at 1 January 2022	7	2,723	2,730
Changes on initial application of MFRS 17	(7)	(2,723)	(2,730)
Restated balance at 1 January 2022	-	-	-

B16. DISCLOSURE ON QUALIFICATION OF AUDIT REPORT

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