LPI CAPITAL BHD

Condensed Consolidated Statement of Profit or Loss for the Quarter Ended 30 September 2023 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **30.09.2023** RM'000	Restated Preceding Year Corresponding Quarter Ended **30.09.2022** RM'000	Current Year To Date Ended **30.09.2023** RM'000	Restated Preceding Year Corresponding Period Ended **30.09.2022** RM'000
Operating revenue	498,400	434,046	1,424,063	1,254,353
Insurance revenue	454,372	402,836	1,324,828	1,182,487
Insurance service expenses	(237,081)	(224,844)	(647,232)	(879,168)
Net expenses from reinsurance contracts	(128,802)	(92,677)	(465,036)	(77,826)
Insurance service result	88,489	85,315	212,560	225,493
Investment income	44,028	31,210	99,235	71,866
Net fair value (losses)/gains	(1,781)	319	15,177	(10,822)
Net reversal of impairment loss on investments carried at amortised cost	-	-	1	1
Investment return	42,247	31,529	114,413	61,045
Net finance expenses from insurance contracts	(17,053)	(7,639)	(54,180)	(23,022)
Net finance income from reinsurance contracts	9,306	3,263	29,928	10,551
Net financial result	34,500	27,153	90,161	48,574
Other income	818	671	3,524	1,153
Other operating expenses	(4,354)	(5,632)	(14,956)	(16,256)
Other finance costs	(282)	(304)	(874)	(943)
Share of profit after tax of equity accounted associated company	398	359	1,326	988
Profit before tax	119,569	107,562	291,741	259,009
Tax expense	(22,201)	(28,378)	(56,595)	(61,403)
Profit for the period	97,368	79,184	235,146	197,606
Profit attributable to:				
Owners of the Company	97,368	79,184	235,146	197,606
Earnings per ordinary share (sen)				
- Basic	24.45	19.87	59.03	49.60
- 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.**

LPI CAPITAL BHD

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Quarter Ended 30 September 2023 - Unaudited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **30.09.2023** RM'000	Restated Preceding Year Corresponding Quarter Ended **30.09.2022** RM'000	Current Year To Date Ended **30.09.2023** RM'000	Restated Preceding Year Corresponding Period Ended **30.09.2022** RM'000
Profit for the period	97,368	79,184	235,146	197,606
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	(77)	4,077	10,573	9,382
Net finance (expenses)/income from insurance contracts	(445)	(2,919)	(7,260)	3,740
Net finance income from reinsurance contracts	393	1,438	5,216	341
Income tax relating to these items	574	(849)	574	(849)
Items that will not be reclassified to profit or loss				
Net gains/(losses) on investments in equity instruments designated at fair value through other comprehensive income	46,276	(30,916)	(57,499)	15,247
Income tax relating to these items	(299)	242	506	18
Total other comprehensive income/(expenses) for the period, net of tax	46,422	(28,927)	(47,890)	27,879
Total comprehensive income for the period attributable to owners of the Company	143,790	50,257	187,256	225,485

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

LPI CAPITAL BHD

Condensed Consolidated Statement of Financial Position As At 30 September 2023 - Unaudited

	30.09.2023	Restated 31.12.2022	Restated 1.1.2022
	RM'000	RM'000	RM'000
Assets			
Plant and equipment	4,999	6,736	4,717
Right-of-use assets	39,218	43,372	47,821
Investment properties	31,510	29,862	27,316
Intangible assets	3,901	5,440	8,401
Investment in an associated company	46,130	42,387	39,446
Other investments	2,963,937	2,607,994	3,095,543
Fair value through other comprehensive income	894,396	951,672	916,424
Fair value through profit or loss	1,166,974	1,140,334	1,137,794
Amortised cost	902,567	515,988	1,041,325
Reinsurance contract assets	1,016,245	1,315,810	1,095,522
Loans and receivables	85,189	73,108	80,882
Current tax assets	6,597	-	-
Cash and cash equivalents	368,140	724,911	87,900
Total assets	4,565,866	4,849,620	4,487,548
Equity			
Share capital	398,383	398,383	398,383
Reserves	1,754,456	1,810,213	1,791,326
Total equity	2,152,839	2,208,596	2,189,709
Liabilities			
Insurance contract liabilities	2,306,588	2,559,397	2,208,220
Deferred tax liabilities	26,484	8,584	7,686
Lease liabilities	41,444	45,384	49,630
Other payables	38,366	7,762	7,422
Current tax payables	145	19,897	24,881
Total liabilities	2,413,027	2,641,024	2,297,839
Total equity and liabilities	4,565,866	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 30 September 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
9 Months Period Ended 30 September 2023						
At 1 January 2023, restated	398,383	35,155	357	791,936	982,765	2,208,596
Foreign currency translation differences for foreign operation	-	10,573	-	-	-	10,573
Net finance expenses from insurance contracts	-	-	(5,416)	-	-	(5,416)
Net finance income from reinsurance contracts	-	-	3,946	-	-	3,946
Net losses on investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(56,993)	-	(56,993)
Total other comprehensive income/(expenses) for the period	-	10,573	(1,470)	(56,993)	-	(47,890)
Profit for the period	-	-	-	-	235,146	235,146
Total comprehensive income/(expenses) for the period	-	10,573	(1,470)	(56,993)	235,146	187,256
Distributions to owners of the Company						
Dividends to owners of the Company	-	-	-	-	(243,013)	(243,013)
Total transaction with owners of the Company	-	-	-	-	(243,013)	(243,013)
At 30 September 2023	398,383	45,728	(1,113)	734,943	974,898	2,152,839

LPI CAPITAL BHD

Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 Sepember 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
<u>9 Months Period Ended 30 September 2022</u>						
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	-	-	(777)	-	49,464	48,687
Restated balance at 1 January 2022	398,383	25,709	(777)	756,981	1,009,413	2,189,709
Foreign currency translation differences for foreign operation	-	9,382		-	-	9,382
Net finance income from insurance contracts	-	-	3,002	-	-	3,002
Net finance income from reinsurance contracts	-	-	230	-	-	230
Net gains on investments in equity instruments designated at fair value through other comprehensive income	-	-	-	15,265	-	15,265
Total other comprehensive income for the period	-	9,382	3,232	15,265	-	27,879
Profit for the period	-	-	-	-	197,606	197,606
Total comprehensive income for the period, restated	-	9,382	3,232	15,265	197,606	225,485
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)
Restated balance at 30 September 2022	398,383	35,091	2,455	772,246	928,151	2,136,326

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.

LPI CAPITAL BHD

Condensed Consolidated Statement of Cash Flows for the Period Ended 30 September 2023 - Unaudited

	Current Year To Date Ended **30.09.2023** RM'000	Restated Preceding Year Corresponding Period Ended **30.09.2022** RM'000
Operating activities		
Profit before tax	291,741	259,009
Investment income	(99,235)	(71,866)
Gain on disposal of plant and equipment	(156)	(16)
Net fair value (gains)/losses recorded in profit or loss	(15,177)	10,822
Share of profit of equity accounted associated company	(1,326)	(988)
Interest on lease liabilities	874	943
Non-cash items:		
Depreciation of plant and equipment	1,914	2,160
Depreciation of right-of-use assets	5,376	5,276
Amortisation of intangible assets	2,127	2,916
Write off of plant and equipment	1	-
Unrealised foreign exchange gain	(162)	(278)
Net reversal of impairment loss on investments carried at amortised cost	(1)	(1)
Changes in working capital:		
Other investments	(395,235)	326,982
Loans and receivables	(9,514)	(1,073)
Reinsurance contract assets	306,463	(99,181)
Insurance contract liabilities	(268,855)	178,351
Other payables	30,450	29,549
Cash (used in)/generated from operating activities	(150,715)	642,605
Dividend income received	58,176	48,374
Interest income received	40,551	23,048
Rental income on investment property received	640	588
Interest paid	(874)	(943)
Income tax paid	(64,101)	(74,859)
Net cash flows (used in)/generated from operating activities	(116,323)	638,813

LPI CAPITAL BHD

Condensed Consolidated Statement of Cash Flows
for the Period Ended 30 September 2023 - Unaudited (continued)

	Current Year To Date Ended **30.09.2023** RM'000	Restated Preceding Year Corresponding Period Ended **30.09.2022** RM'000
Investing activities		
Proceeds from disposal of plant and equipment	156	16
Purchase of plant and equipment	(157)	(4,357)
Purchase of intangible assets	(579)	(887)
Net cash flows used in investing activities	(580)	(5,228)
Financing activities		
Dividends paid to owners of the Company	(243,013)	(278,868)
Payment of lease liabilities	(5,173)	(5,139)
Net cash flows used in financing activities	(248,186)	(284,007)
Net (decrease)/increase in cash and cash equivalents	(365,089)	349,578
Cash and cash equivalents at 1 January	724,911	87,900
Effect of movement in exchange rates	8,318	6,300
Cash and cash equivalents at 30 September	368,140	443,778

Note : **The Condensed Consolidated Statement of Cash Flows 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 and International Tax Reform – Pillar Two Model Rules*	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 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 groups 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 previous 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 existed 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

MFRS 17 introduces a discounted measurement approach as the general measurement model ("GMM") for all insurance contracts. The Company has determined that it will apply GMM to all its contracts issued and reinsurance contracts held.

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.

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 calculates 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 the 75th 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 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 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 the 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 groups 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 30 September 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 30 September 2023.

A7. DIVIDEND PAID

a) 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.

b) A first interim single tier dividend of 26.00 sen per ordinary share amounting to RM103,579,516 in respect of the financial year ending 31 December 2023 was paid on 20 September 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	9 Months Ended					
	General insurance		Investment holding		Total	
	2023	**(Restated) 2022**	**2023**	**2022**	**2023**	**(Restated) 2022**
External revenue	1,393,122	1,220,078	30,941	34,275	1,424,063	1,254,353
Inter-segment revenue	-	-	220,000	210,000	220,000	210,000
Segment profit before tax	266,852	231,403	244,889	237,606	511,741	469,009
Segment assets	3,658,073	3,693,537	1,107,793	1,135,542	4,765,866	4,829,079
Segment liabilities	2,409,619	2,489,204	3,408	3,549	2,413,027	2,492,753

A8. OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

i) Reconciliation of reportable segment profit:

RM'000	9 Months Ended	
		(Restated)
	2023	**2022**
Total profit for reportable segments	511,741	469,009
Elimination of inter-segment profit	(220,000)	(210,000)
Consolidated profit before tax	291,741	259,009

ii) Reconciliation of reportable segment assets:

RM'000	9 Months Ended	
		(Restated)
	2023	**2022**
Total assets for reportable segments	4,765,866	4,829,079
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	4,565,866	4,629,079

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 and Lonpac had filed its Affidavit in Opposition in the High Court.

On 8 May 2023, the High Court adjourned the hearing and gave directions to the parties to exchange affidavits and written submission. The hearing date for this matter is fixed on 30 November 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.

30.09.2023	**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	894,396	-	-	894,396	-	-	-	-	894,396	894,396
Mandatorily at fair value through profit or loss										
- Unit trusts	-	929,317	-	929,317	-	-	-	-	929,317	929,317
- Real estate investment trusts ("REITs")	3,246	-	-	3,246	-	-	-	-	3,246	3,246
- Exchange-traded fund ("ETF")	583	-	-	583	-	-	-	-	583	583
- Quoted shares	4,776	-	-	4,776	-	-	-	-	4,776	4,776
- Unquoted shares		-	1,575	1,575	-	-	-	-	1,575	1,575
- Corporate bonds and sukuk	-	227,477	-	227,477	-	-	-	-	227,477	227,477
Amortised cost										
- Malaysian government securities	-	-	-	-	-	15,020	-	15,020	15,020	15,255
- Government investment issues	-	-	-	-	-	39,501	-	39,501	39,501	39,815
- Malaysian government guaranteed loans	-	-	-	-	-	85,128	-	85,128	85,128	85,000
- Corporate bonds and sukuk	-	-	-	-	-	42,861	-	42,861	42,861	43,066
	903,001	1,156,794	1,575	2,061,370	-	182,510	-	182,510	2,243,880	2,244,506

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
	959,604	1,130,930	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 30 September 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	103	80
Balance as at 30 September 2023 / 31 December 2022	1,575	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 Current Year To Date Ended **30.09.2023**	Associated Company Preceding Year Corresponding Period Ended **30.09.2022**	Companies Under Common Significant Influence Current Year To Date Ended **30.09.2023**	Companies Under Common Significant Influence Preceding Year Corresponding Period Ended **30.09.2022**
Income earned:				
Premium income	419	492	36,773	38,231
Dividend income	-	-	30,849	34,608
Fixed deposits income	-	-	1,416	1,682
Interest/profit income from corporate bonds and sukuk	-	-	974	1,050
Information technology services	46	320	-	-
	465	812	70,012	75,571
Expenditure incurred:				
Rental paid	-	-	(2,997)	(2,997)
Insurance commission	(107)	(119)	(37,660)	(36,681)
	(107)	(119)	(40,657)	(39,678)
Other transaction:				
Purchase of corporate bonds and sukuk	-	-	-	(20,000)

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

B1. REVIEW OF GROUP PERFORMANCE

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

	Individual Period		Changes		Cumulative Period		Changes	
RM'mil	Current Year Quarter Ended 30.09.2023	(Restated) Preceding Year Corresponding Quarter Ended 30.09.2022	Amount	% / ppt (*)	Current Year To Date Ended 30.09.2023	(Restated) Preceding Year Corresponding Period Ended 30.09.2022	Amount	% / ppt (*)
Revenue by segments								
General insurance segment	478.9	416.8	62.1	14.9%	1,393.2	1,220.1	173.1	14.2%
Insurance revenue	454.4	402.8	51.6	12.8%	1,324.9	1,182.5	142.4	12.0%
Investment income	24.5	14.0	10.5	75.0%	68.3	37.6	30.7	81.6%
Investment holding segment								
Investment income	19.5	17.2	2.3	13.4%	30.9	34.3	(3.4)	(9.9%)
Total revenue	498.4	434.0	64.4	14.8%	1,424.1	1,254.4	169.7	13.5%
Revenue by geographical locations								
Malaysia	458.8	402.3	56.5	14.0%	1,309.6	1,164.1	145.5	12.5%
Singapore	39.6	31.7	7.9	24.9%	114.5	90.3	24.2	26.8%
Total revenue	498.4	434.0	64.4	14.8%	1,424.1	1,254.4	169.7	13.5%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended 30.09.2023	(Restated) Preceding Year Corresponding Quarter Ended 30.09.2022	Amount	% / ppt (*)	Current Year To Date Ended 30.09.2023	(Restated) Preceding Year Corresponding Period Ended 30.09.2022	Amount	% / ppt (*)
Profit before tax by segments								
General insurance (RM'mil)	101.9	92.4	9.5	10.3%	266.8	231.4	35.4	15.3%
Investment holding (RM'mil)	17.7	15.2	2.5	16.4%	24.9	27.6	(2.7)	(9.8%)
Total profit before tax	119.6	107.6	12.0	11.2%	291.7	259.0	32.7	12.6%
Profit before tax by geographical locations								
Malaysia (RM'mil)	116.2	105.2	11.0	10.5%	278.2	254.8	23.4	9.2%
Singapore (RM'mil)	3.0	2.0	1.0	50.0%	12.2	3.2	9.0	281.3%
Cambodia (RM'mil)	0.4	0.4	-	-	1.3	1.0	0.3	30.0%
Total profit before tax	119.6	107.6	12.0	11.2%	291.7	259.0	32.7	12.6%
Profit attributable to owners of the Company (RM'mil)	97.4	79.2	18.2	23.0%	235.1	197.6	37.5	19.0%
Net return on equity (%)	4.5	3.7	-	0.8 ppt	10.9	9.2	-	1.7 ppt
Earnings per share (sen)	24.45	19.87	4.58	23.0%	59.03	49.60	9.43	19.0%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended 30.09.2023	(Restated) Preceding Year Corresponding Quarter Ended 30.09.2022	Amount	% / ppt (*)	Current Year To Date Ended 30.09.2023	(Restated) Preceding Year Corresponding Period Ended 30.09.2022	Amount	% / ppt (*)
Gross written premiums (RM'mil)	447.9	409.0	38.9	9.5%	1,339.1	1,257.9	81.2	6.5%
Net claims incurred ratio (%)	39.4	43.4	-	(4.0) ppt	46.2	44.8	-	1.4 ppt
Management expenses ratio (%)	20.0	20.6	-	(0.6) ppt	20.6	21.1	-	(0.5) ppt
Net commission ratio (%)	8.7	6.4	-	2.3 ppt	8.3	6.8	-	1.5 ppt
Net insurance finance cost ratio (%)	2.9	1.7	-	1.2 ppt	3.1	1.6	-	1.5 ppt
Net losses on onerous contracts ratio (%)	-	(1.2)	-	1.2 ppt	(0.5)	(0.2)	-	(0.3) ppt
Combined ratio (%)	71.1	70.9	-	0.2 ppt	77.6	74.1	-	3.5 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 3 months period ended 30 September:

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	191,314	163,193	101,012	92,664	26,324	22,306	135,722	124,673	454,372	402,836
Incurred claims	24,791	(10,210)	(61,057)	(59,459)	(63,906)	(9,575)	(36,416)	(53,430)	(136,588)	(132,674)
Other incurred insurance service expenses	(4,271)	(3,611)	(6,442)	(5,733)	(628)	(766)	(6,760)	(7,029)	(18,101)	(17,139)
Amortisation of commission expense	(22,947)	(20,206)	(9,525)	(8,853)	(1,678)	(1,403)	(16,781)	(14,670)	(50,931)	(45,132)
Amortisation of other insurance acquisition cash flows	(10,918)	(11,484)	(9,607)	(10,550)	(1,703)	(1,618)	(10,217)	(9,662)	(32,445)	(33,314)
(Losses)/Reversals of losses on onerous contracts	(98)	3	597	688	(34)	1	519	2,723	984	3,415
Insurance service expenses	(13,443)	(45,508)	(86,034)	(83,907)	(67,949)	(13,361)	(69,655)	(82,068)	(237,081)	(224,844)
Allocation of reinsurance premiums paid	(82,793)	(43,696)	(4,877)	(5,145)	(18,384)	(15,139)	(53,145)	(47,276)	(159,199)	(111,256)
(Reversals of recoveries)/ Recoveries of incurred claims	(39,359)	(3,121)	6,146	(3,271)	62,660	5,931	2,017	19,283	31,464	18,822
Recoveries/(Reversals of recoveries) of losses on onerous underlying contracts	48	(1)	(1,141)	(16)	25	3	1	(229)	(1,067)	(243)
Net (expenses)/income from reinsurance contracts	(122,104)	(46,818)	128	(8,432)	44,301	(9,205)	(51,127)	(28,222)	(128,802)	(92,677)
Insurance service result	55,767	70,867	15,106	325	2,676	(260)	14,940	14,383	88,489	85,315

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

	Fire 2023	Fire 2022	Motor 2023	Motor 2022	Marine, Aviation & Transit 2023	Marine, Aviation & Transit 2022	Miscellaneous 2023	Miscellaneous 2022	Total 2023	Total 2022
Gross written premiums	170,210	164,472	105,697	93,583	21,405	16,502	150,583	134,489	447,895	409,046

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 2: Insurance service result by portfolio for the financial period ended 30 September:

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	572,863	477,645	293,765	268,429	74,017	67,684	384,183	368,729	1,324,828	1,182,487
Incurred claims	81,862	(220,008)	(192,569)	(204,633)	(96,652)	(18,351)	(144,485)	(151,646)	(351,844)	(594,638)
Other incurred insurance service expenses	(12,913)	(19,746)	(17,041)	(16,788)	(2,464)	(2,141)	(19,556)	(15,919)	(51,974)	(54,594)
Amortisation of commission expense	(66,629)	(62,059)	(27,633)	(25,824)	(4,691)	(4,105)	(48,485)	(41,873)	(147,438)	(133,861)
Amortisation of other insurance acquisition cash flows	(33,081)	(33,936)	(29,792)	(31,181)	(5,554)	(5,019)	(31,246)	(28,552)	(99,673)	(98,688)
(Losses)/Reversals of losses on onerous contracts	(98)	127	6,661	2,779	19	572	(2,885)	(865)	3,697	2,613
Insurance service expenses	(30,859)	(335,622)	(260,374)	(275,647)	(109,342)	(29,044)	(246,657)	(238,855)	(647,232)	(879,168)
Allocation of reinsurance premiums paid	(239,858)	(115,570)	(19,963)	(13,650)	(51,665)	(46,002)	(142,506)	(149,638)	(453,992)	(324,860)
(Reversals of recoveries)/ Recoveries of incurred claims	(153,012)	173,732	3,020	(4,576)	94,371	11,086	44,048	67,688	(11,573)	247,930
Recoveries/(Reversals of recoveries) of losses on onerous underlying contracts	48	(45)	425	(83)	(5)	(563)	61	(205)	529	(896)
Net (expenses)/income from reinsurance contracts	(392,822)	58,117	(16,518)	(18,309)	42,701	(35,479)	(98,397)	(82,155)	(465,036)	(77,826)
Insurance service result	149,182	200,140	16,873	(25,527)	7,376	3,161	39,129	47,719	212,560	225,493

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

	Fire 2023	Fire 2022	Motor 2023	Motor 2022	Marine, Aviation & Transit 2023	Marine, Aviation & Transit 2022	Miscellaneous 2023	Miscellaneous 2022	Total 2023	Total 2022
Gross written premiums	526,487	503,063	295,890	269,903	84,092	76,021	432,637	408,872	1,339,106	1,257,859

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Revenue

For the 3rd quarter of financial year 2023, the Group's revenue increased by RM64.4 million to RM498.4 million from RM434.0 million recorded in the corresponding quarter in 2022. The 14.8% growth in revenue was largely contributed by its general insurance segment, which increased by RM62.1 million to RM478.9 million as compared to RM416.8 million in the corresponding quarter in 2022. The increase was largely attributed to higher insurance revenue of RM454.4 million as compared to RM402.8 million in the corresponding quarter in 2022. Investment holding segment recorded higher revenue of RM19.5 million as compared to RM17.2 million in the corresponding quarter in 2022 was contributed by higher dividend income received.

Revenue of the Group for the nine months period ended 30 September 2023 increased by 13.5% or RM169.7 million to RM1,424.1 million from RM1,254.4 million in the corresponding period in 2022. Of the total amount of RM1,424.1 million, RM1,393.2 million was generated from general insurance segment and RM30.9 million from investment holding segment. The increase in revenue was mainly driven by the general insurance segment, which registered an increase of 14.2% or RM173.1 million compared to RM1,220.1 million in 30 September 2022. The investment holding segment recorded lower revenue of RM30.9 million as compared to RM34.3 million in 2022 was mainly due to lower dividend income received during the current financial period.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

<u>Profit Before Tax</u>

Profit before tax of the Group for the 3rd quarter of financial year 2023 increased by 11.2% or RM12.0 million to RM119.6 million from RM107.6 million in the corresponding quarter in 2022. The increase was driven by the higher profit from general insurance segment, which increased by 10.3% or RM9.5 million to RM101.9 million from RM92.4 million in the 3rd quarter of financial year 2022, mainly contributed by higher investment income as compared to the corresponding quarter last year. The investment holding segment recorded a higher profit before tax of RM17.7 million as compared to RM15.2 million in the corresponding quarter in 2022 mainly contributed by higher dividend income received during the 3rd quarter of financial year 2023.

Profit before tax of the Group for the nine months period ended 30 September 2023 grew by 12.6% or RM32.7 million to RM291.7 million from RM259.0 million in the corresponding period in 2022. The increase was primarily driven by the higher profit from general insurance segment, which increased by 15.3% or RM35.4 million to RM266.8 million from RM231.4 million reported in the previous corresponding period. The growth was mainly contributed by higher investment return as compared to the previous year, attributed to higher investment income coupled with net fair value gains of RM15.2 million as opposed to RM10.8 million net fair value losses recorded in the same period last year. The investment holding segment recorded a lower profit before tax of RM24.9 million as compared to RM27.6 million reported in the corresponding period in 2022 mainly due to lower tax-exempt dividend income received from its equity investment.

Business operations in Malaysia contributed to 97.2% of the Group's total profit before tax in the 3rd quarter of financial year 2023 and 95.4% for the nine months period ended 30 September 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 30.09.2023	(Restated) Preceding Year Corresponding Quarter Ended 30.09.2022	Current Year To Date Ended 30.09.2023	(Restated) Preceding Year Corresponding Period Ended 30.09.2022
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	(0.1)	4.1	10.6	9.4
Net finance (expenses)/income from insurance contracts	(0.5)	(2.9)	(7.3)	3.7
Net finance income from reinsurance contracts	0.4	1.4	5.2	0.3
Income tax relating to these items	0.6	(0.8)	0.6	(0.8)
Items that will not be reclassified to profit or loss				
Net gains/(losses) on investments in equity instruments designated at				
fair value through other comprehensive income	46.3	(30.9)	(57.5)	15.3
Income tax relating to these items	(0.3)	0.2	0.5	-
Total other comprehensive income/(expenses) for the period, net of tax	46.4	(28.9)	(47.9)	27.9

The Group's total other comprehensive income for the nine months ended 30 September 2023 recorded a net loss of RM47.9 million as compared to net gain of RM27.9 million in the corresponding period 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 30.09.2023	(Restated) As at 31.12.2022	Changes	
			Amount	%
Total assets	4,565.9	4,849.6	(283.7)	(5.8%)
Total liabilities	2,413.0	2,641.0	(228.0)	(8.6%)
Total equity	2,152.9	2,208.6	(55.7)	(2.5%)

Total assets

As at 30 September 2023, the Group's total assets were lower by RM283.7 million to RM4,565.9 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 80.1% of the Group's total assets as at 30 September 2023.

Total liabilities

As at 30 September 2023, total liabilities of the Group were lower by RM228.0 million to RM2,413.0 million from RM2,641.0 million as at 31 December 2022. This was mainly due to RM252.8 million decrease in insurance contract liabilities of its general insurance segment.

Total equity

The Group's total equity was lower by 2.5% or RM55.7 million to RM2,152.9 million from RM2,208.6 million as at 31 December 2022. The Group's retained earnings recorded a net decrease of RM7.9 million resulting from the payment of dividends of RM243.0 million offset by the current period's net profit of RM235.1 million. The fair value reserves decreased by RM57.0 million was 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 RM5.39 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 30.09.2023 SGD1.00 = RM3.44	Functional Currency SGD'000	Reporting Currency RM'000
Insurance revenue	31,027	106,734
Investment income	2,255	7,757
Total revenue	33,282	114,491
Profit before tax	3,565	12,262
Profit after tax	3,247	11,170
Total assets	66,018	227,101
Total liabilities	54,142	186,250

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 flows

RM'mil	Current Year To Date Ended 30.09.2023	(Restated) Preceding Year Corresponding Period Ended 30.09.2022
Profit after tax	235.1	197.6
Net cash flows (used in)/generated from operating activities	(116.3)	638.9
Net cash flows used in investing activities	(0.6)	(5.3)
Net cash flows used in financing activities	(248.2)	(284.0)
Net (decrease)/increase in cash and cash equivalents	(365.1)	349.6
Cash and cash equivalents at 1 January	724.9	87.9
Effect of movement in exchange rates	8.3	6.3
Cash and cash equivalents at 30 September	368.1	443.8

For the nine months period ended 30 September 2023, the net cash flows used in operating activities of the Group of RM116.3 million was 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 flows (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 RM0.6 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 RM252.8 million to RM2,306.6 million as at 30 September 2023. The Group had generated sufficient cash flows to pay dividends amounting to RM243.0 million (which consisted of RM139.4 million second interim dividend for the financial year ended 31 December 2022 and RM103.6 million first interim dividend for the financial year ending 31 December 2023) during the current financial period.

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

	Current Year Quarter Ended 30.09.2023	Immediate Preceding Quarter Ended 30.06.2023	Changes	
			Amount	% / ppt
Insurance revenue (RM'mil)	454.4	439.6	14.8	3.4%
Investment income (RM'mil)	44.0	22.8	21.2	93.0%
Total revenue (RM'mil)	498.4	462.4	36.0	7.8%
Profit before tax (RM'mil)	119.6	80.8	38.8	48.0%
Profit attributable to owners of the Company (RM'mil)	97.4	63.9	33.5	52.4%
Net return on equity (%)	4.5	3.0	-	1.5 ppt
Earnings per share (sen)	24.45	16.05	8.40	52.3%
Gross written premiums (RM'mil)	447.9	401.8	46.1	11.5%
Insurance service result (RM'mil)	88.5	63.0	25.5	40.5%
Net claims incurred ratio (%)	39.4	47.6	-	(8.2) ppt
Management expenses ratio (%)	20.0	21.6	-	(1.6) ppt
Net commission ratio (%)	8.7	8.6	-	0.1 ppt
Net insurance finance cost ratio (%)	2.9	3.1	-	(0.2) ppt
Net losses on onerous contracts ratio (%)	-	(0.3)	-	0.3 ppt
Combined ratio (%)	71.1	80.6	-	(9.5) ppt

For the 3rd quarter of financial year 2023, the Group recorded a higher profit before tax of RM119.6 million as compared to RM80.8 million in the preceding quarter ended 30 June 2023. The increase in the profit before tax for the said quarter was mainly due to higher insurance service result and investment income received.

B3. CURRENT YEAR PROSPECTS

a) Global macroeconomic risks such as the impact of higher interest rates and geopolitical tensions will likely persist in the near-term. Malaysia's economic growth is presently driven mainly by domestic growth which is expected to be sustained by continued consumer spending, the recovery of the tourism sector and the rolling out of government infrastructure projects. The LPI Group will continue to pursue growth in profitable segments and improve operational efficiency through the Group's ongoing digital transformation. Despite the challenging environment, the Group shall continue to execute its strategic initiatives prudently and deliver sustainable growth for financial year 2023.

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 Current Year Quarter Ended **30.09.2023**	(Restated) Preceding Year Corresponding Quarter Ended **30.09.2022**	Cumulative Period Current Year To Date Ended **30.09.2023**	(Restated) Preceding Year Corresponding Period Ended **30.09.2022**
Profit before tax	119,569	107,562	291,741	259,009
Income tax:				
Current tax charge	23,619	29,716	39,409	53,280
Over provision in prior year	(1,768)	(1,231)	(1,768)	(1,329)
Deferred taxation	350	(107)	18,954	9,452
Total tax expense	22,201	28,378	56,595	61,403
Effective tax rate on current tax charge	20%	28%	20%	24%

The effective tax rate on the current tax charge of the Group for the current quarter and current financial period ended 30 September 2023 was 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 17 October 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 30 September 2023.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 September 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 30 September 2023.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 17 October 2023, which is not earlier than 7 days from date of issue of this quarterly report.

B12. DIVIDEND

The total dividend declared and paid for the nine (9) months ended 30 September 2023 was 26.00 sen single tier dividend per share.

B13. EARNINGS PER SHARE

a) Basic earnings per share

	Individual Period		Cumulative Period	
	Current Year Quarter Ended **30.09.2023**	(Restated) Preceding Year Corresponding Quarter Ended **30.09.2022**	Current Year To Date Ended **30.09.2023**	(Restated) Preceding Year Corresponding Period Ended **30.09.2022**
Profit after tax (RM'000)	97,368	79,184	235,146	197,606
Weighted average no. of ordinary shares in issue ('000)	398,383	398,383	398,383	398,383
Basic earnings per share (sen)	24.45	19.87	59.03	49.60

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
	30.09.2023	**30.09.2022**	**30.09.2023**	**30.09.2022**
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Depreciation of plant and equipment *(N1)*	622	722	1,914	2,160
Depreciation of right-of-use assets *(N1)*	1,784	1,776	5,376	5,276
Amortisation of intangible assets *(N1)*	540	1,007	2,127	2,916
and after crediting:				
Interest income *(N2)*	14,439	8,466	40,419	22,904
Dividend income *(N2)*	29,371	22,531	58,176	48,374
Rental income *(N2)*	218	213	640	588
Net reversal of impairment loss on investments carried at amortised cost	-	-	1	1
Net foreign exchange gain *(N1)*	215	96	58	223
Bad debts recoveries *(N1)*	-	1	-	4

Other than the items above which have been included in the Condensed Consolidated Statement of Profit or Loss, there were no impairment of assets, gain or loss on derivatives and exceptional items for the current financial period ended 30 September 2023.

(N1) Depreciation of plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, bad debts recoveries 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**
30.09.2023						
Trade receivables arise from insurance contracts	102,376	32,350	75,614	20,952	1,636	232,928
Trade receivables arise from reinsurance contracts	10,637	3,720	1,969	497	-	16,823
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.