

LPI CAPITAL BHD

Condensed Consolidated Statement of Profit or Loss for the Quarter Ended 31 December 2023 - Audited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31.12.2023 RM'000	Restated Preceding Year Corresponding Quarter Ended 31.12.2022 RM'000	Current Year To Date Ended 31.12.2023 RM'000	Restated Preceding Year Corresponding Period Ended 31.12.2022 RM'000
Operating revenue	481,353	380,512	1,905,416	1,634,865
Insurance revenue	457,093	352,211	1,781,921	1,534,698
Insurance service expenses	(179,776)	(380,723)	(827,008)	(1,259,891)
Net (expenses)/income from reinsurance contracts held	(196,158)	89,116	(661,194)	11,290
Insurance service result	81,159	60,604	293,719	286,097
Investment income	24,260	28,301	123,495	100,167
Net fair value gains/(losses)	10,617	2,526	25,794	(8,296)
(Impairment loss)/Net reversal of impairment loss on investments carried at amortised cost	-	(1)	1	-
Investment return	34,877	30,826	149,290	91,871
Net finance expenses from insurance contracts	(17,002)	(8,197)	(71,182)	(31,219)
Net finance income from reinsurance contracts held	8,802	3,308	38,730	13,859
Net financial result	26,677	25,937	116,838	74,511
Other income	552	546	3,935	1,365
Other operating expenses	(5,413)	(3,910)	(20,228)	(19,832)
Other finance costs	(276)	(310)	(1,150)	(1,253)
Share of profit after tax of equity accounted associated company	493	(180)	1,819	808
Profit before tax	103,192	82,687	394,933	341,696
Tax expense	(24,612)	(28,073)	(81,207)	(89,476)
Profit for the year	78,580	54,614	313,726	252,220
Profit attributable to:				
Owners of the Company	78,580	54,614	313,726	252,220
Earnings per ordinary share (sen)				
- Basic	19.72	13.71	78.75	63.31
- 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 31 December 2023 - Audited

	Individual Period		Cumulative Period	
	Current Year Quarter Ended <u>31.12.2023</u> RM'000	Restated Preceding Year Corresponding Quarter Ended <u>31.12.2022</u> RM'000	Current Year To Date Ended <u>31.12.2023</u> RM'000	Restated Preceding Year Corresponding Period Ended <u>31.12.2022</u> RM'000
Profit for the year	78,580	54,614	313,726	252,220
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	2,871	64	13,444	9,446
Net finance expenses from insurance contracts	(1,766)	(4,923)	(9,026)	(1,183)
Net finance income from reinsurance contracts held	343	2,214	5,559	2,555
Income tax relating to these items	327	611	901	(238)
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	50,580	19,789	(6,919)	35,036
Income tax relating to these items	(260)	(99)	246	(81)
Total other comprehensive income for the year, net of tax	52,095	17,656	4,205	45,535
Total comprehensive income for the year attributable to owners of the Company	130,675	72,270	317,931	297,755

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 31 December 2023 - Audited**

	<u>31.12.2023</u>	Restated <u>31.12.2022</u>	Restated <u>1.1.2022</u>
	RM'000	RM'000	RM'000
Assets			
Plant and equipment	5,986	6,736	4,717
Right-of-use assets	38,056	43,372	47,821
Investment properties	33,977	29,862	27,316
Intangible assets	3,542	5,440	8,401
Investment in an associated company	46,322	42,387	39,446
Other investments	3,167,288	2,607,994	3,095,543
Fair value through other comprehensive income	945,063	951,672	916,424
Fair value through profit or loss	1,218,290	1,140,334	1,137,794
Amortised cost	1,003,935	515,988	1,041,325
Reinsurance contract assets	877,968	1,315,810	1,095,522
Loans and receivables	80,864	73,108	80,882
Cash and cash equivalents	315,015	724,911	87,900
Total assets	<u>4,569,018</u>	<u>4,849,620</u>	<u>4,487,548</u>
Equity			
Share capital	398,383	398,383	398,383
Reserves	1,885,131	1,810,213	1,791,326
Total equity	<u>2,283,514</u>	<u>2,208,596</u>	<u>2,189,709</u>
Liabilities			
Insurance contract liabilities	2,199,820	2,559,397	2,208,220
Deferred tax liabilities	25,121	8,584	7,686
Lease liabilities	40,303	45,384	49,630
Other payables	8,131	7,762	7,422
Current tax payables	12,129	19,897	24,881
Total liabilities	<u>2,285,504</u>	<u>2,641,024</u>	<u>2,297,839</u>
Total equity and liabilities	<u>4,569,018</u>	<u>4,849,620</u>	<u>4,487,548</u>

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

LPI CAPITAL BHD

Condensed Consolidated Statement of Changes in Equity for the Year Ended 31 December 2023 - Audited

	←	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 equity RM'000
<u>12 Months Year Ended 31 December 2023</u>						
At 1 January 2023	398,383	35,155	357	791,936	982,765	2,208,596
Foreign currency translation differences for foreign operation	-	13,444	-	-	-	13,444
Net finance expenses from insurance contracts	-	-	(6,777)	-	-	(6,777)
Net finance income from reinsurance contracts held	-	-	4,211	-	-	4,211
Net losses on investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(6,673)	-	(6,673)
Total other comprehensive income/(expenses) for the year	-	13,444	(2,566)	(6,673)	-	4,205
Profit for the year	-	-	-	-	313,726	313,726
Total comprehensive income/(expenses) for the year	-	13,444	(2,566)	(6,673)	313,726	317,931
Distributions to owners of the Company						
Dividends to owners of the Company	-	-	-	-	(243,013)	(243,013)
Total transactions with owners of the Company	-	-	-	-	(243,013)	(243,013)
At 31 December 2023	398,383	48,599	(2,209)	785,263	1,053,478	2,283,514

LPI CAPITAL BHD

Condensed Consolidated Statement of Changes in Equity for the Year Ended 31 December 2023 - Audited (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 equity RM'000
<u>12 Months Year Ended 31 December 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	-	9,446	-	-	-	9,446
Net finance expenses from insurance contracts	-	-	(787)	-	-	(787)
Net finance income from reinsurance contracts held	-	-	1,921	-	-	1,921
Net gains on investments in equity instruments designated at fair value through other comprehensive income	-	-	-	34,955	-	34,955
Total other comprehensive income for the year	-	9,446	1,134	34,955	-	45,535
Profit for the year	-	-	-	-	252,220	252,220
Total comprehensive income for the year, restated	-	9,446	1,134	34,955	252,220	297,755
Distributions to owners of the Company						
Dividends to owners of the Company	-	-	-	-	(278,868)	(278,868)
Total transactions with owners of the Company	-	-	-	-	(278,868)	(278,868)
Restated balance at 31 December 2022	398,383	35,155	357	791,936	982,765	2,208,596

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 Year Ended 31 December 2023 - Audited**

	Current Year To Date Ended 31.12.2023 RM'000	Restated Preceding Year Corresponding Period Ended 31.12.2022 RM'000
Operating activities		
Profit before tax	394,933	341,696
Investment income	(123,495)	(100,167)
Gain on disposal of plant and equipment	(561)	(17)
Net fair value (gains)/losses recorded in profit or loss	(25,794)	8,296
Share of profit of equity accounted associated company	(1,819)	(808)
Interest on lease liabilities	1,150	1,253
Non-cash items:		
Depreciation of plant and equipment	2,516	2,841
Depreciation of right-of-use assets	7,212	7,052
Amortisation of intangible assets	2,778	3,928
Write off of plant and equipment	3	-
Unrealised foreign exchange gain	(27)	(502)
Net reversal of impairment loss on investments carried at amortised cost	(1)	-
Changes in working capital:		
Other investments	(538,036)	523,099
Loans and receivables	(7,542)	7,886
Reinsurance contract assets	445,736	(216,261)
Insurance contract liabilities	(380,803)	342,517
Other payables	155	198
Cash (used in)/generated from operating activities	(223,595)	921,011
Dividend income received	67,872	65,595
Interest income received	54,930	33,959
Rental income on investment property received	876	801
Interest paid	(1,150)	(1,253)
Income tax paid	(71,481)	(94,019)
Net cash flows (used in)/generated from operating activities	(172,548)	926,094

LPI CAPITAL BHD

Condensed Consolidated Statement of Cash Flows for the Year Ended 31 December 2023 - Audited (continued)

	Current Year To Date Ended 31.12.2023 RM'000	Restated Preceding Year Corresponding Period Ended 31.12.2022 RM'000
Investing activities		
Proceeds from disposal of plant and equipment	561	17
Purchase of plant and equipment	(1,740)	(4,840)
Purchase of intangible assets	(867)	(962)
Net cash flows used in investing activities	(2,046)	(5,785)
Financing activities		
Dividends paid to owners of the Company	(243,013)	(278,868)
Payment of lease liabilities	(6,991)	(6,861)
Net cash flows used in financing activities	(250,004)	(285,729)
Net (decrease)/increase in cash and cash equivalents	(424,598)	634,580
Cash and cash equivalents at 1 January	724,911	87,900
Effect of movement in exchange rates	14,702	2,431
Cash and cash equivalents at 31 December	315,015	724,911

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 Group has not applied the following accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

MFRSs/Interpretations/Amendments	Effective date
Amendments to MFRS 16, <i>Leases – Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101, <i>Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 107, <i>Statement of Cash Flows</i> and MFRS 7, <i>Financial Instruments: Disclosures – Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121, <i>The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Yet to be confirmed

A1. BASIS OF PREPARATION (CONTINUED)

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

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.
- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

The initial application of the abovementioned amendments is not expected to have any material financial impact to the financial statements of the Group.

A2. CHANGES IN MATERIAL ACCOUNTING POLICY

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 contracts and reinsurance contracts held. This standard has brought significant changes to the accounting for insurance contracts and reinsurance contracts held. 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 identified any significant changes for contracts that fall in the scope of MFRS 17 against MFRS 4.

(ii) **Level of aggregation, measurement and presentation of insurance contracts**

Level of aggregation

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 has resulted in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

A2. CHANGES IN MATERIAL ACCOUNTING POLICY (CONTINUED)

(ii) Level of aggregation, measurement and presentation of insurance contracts (continued)

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.

Measurement

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

Presentation and disclosure

MFRS 17 significantly changes how insurance contracts and reinsurance contracts held are presented and disclosed in the Group’s financial statements.

Under MFRS 17, portfolio of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts held 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 also presented in the same line item as the related portfolios of contracts.

A2. CHANGES IN MATERIAL ACCOUNTING POLICY (CONTINUED)

(ii) Level of aggregation, measurement and presentation of insurance contracts (continued)

Presentation and disclosure (continued)

Under MFRS 17, amounts recognised in the statement of profit or loss and other comprehensive income (“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 held are presented separately.

Insurance revenue and insurance service expenses exclude any investment components and recognised as follows:

- **Insurance service result**
 - o The Group recognises insurance revenue as it provides services under groups of insurance contracts. Insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration (i.e., a release of CSM, changes in the risk adjustment for non-financial risk relating to current services, expected claims and other insurance service expense incurred and other relevant items, if any) and an allocation of premiums that relate to recovering insurance acquisition cash flows. The allocation of premiums that relate to recovering insurance acquisition cash flows to each period is done in a systematic way based on the passage of time. The Group recognises the allocated amount, without any adjustment for the interest accretion, as insurance revenue and an equal amount as insurance service expenses.

A2. CHANGES IN MATERIAL ACCOUNTING POLICY (CONTINUED)

(ii) Level of aggregation, measurement and presentation of insurance contracts (continued)

Presentation and disclosure (continued)

- **Insurance service result (continued)**

- o 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. The expenses recognised in profit or loss are the following items:
 - Incurred claims and other insurance service expenses;
 - Amortisation of insurance acquisition cash flows;
 - Losses on onerous contracts and reversals of such losses; and
 - Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- o 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 held’ in the insurance service results.
- o The Group disaggregates 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 disaggregates 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 MATERIAL ACCOUNTING POLICY (CONTINUED)

(ii) Level of aggregation, measurement and presentation of insurance contracts (continued)

Presentation and disclosure (continued)

- **Net expenses from reinsurance contracts held**

Net expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts held. The allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the assets for remaining coverage that relate to services for which the Group expects to pay consideration.

For a group of reinsurance contracts held covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- o on recognition of onerous underlying contracts, if the reinsurance contract held covering those contracts is entered into before or at the same time as those contracts are recognised; and
- o for changes in fulfilment cash flows of the group of reinsurance contracts held relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts held.

A2. CHANGES IN MATERIAL ACCOUNTING POLICY (CONTINUED)

(iii) Transition

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

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

- The information required has not been collected with sufficient granularity or is unavailable without incurring a significant cost and effort due to the Group's data retention policies. Such information includes expectations about the profitability of 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 requires assumptions about what the Group's management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight. Such assumptions and estimates include for example cash flows run-off patterns, discount rates and loss ratio assumptions to the required level of granularity.

Full retrospective approach

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

- Identified, recognised and measured each group of insurance contracts and reinsurance contracts held 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.

A2. CHANGES IN MATERIAL ACCOUNTING POLICY (CONTINUED)

(iii) Transition (continued)

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 adopted the full retrospective approach for long-term medical contracts and the modified retrospective approach for all other insurance contracts issued or reinsurance contracts held.

The Group has applied the transition provision 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 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 financial year ended 31 December 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 financial year ended 31 December 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 ended 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	← 12 Months Ended →					
	General insurance		Investment holding		Total	
	2023	(Restated) 2022	2023	2022	2023	(Restated) 2022
External revenue	1,874,059	1,591,806	31,357	43,059	1,905,416	1,634,865
Inter-segment revenue	-	-	220,000	210,000	220,000	210,000
Segment profit before tax	371,318	307,092	243,615	244,604	614,933	551,696
Segment assets	3,615,138	3,889,132	1,153,880	1,160,488	4,769,018	5,049,620
Segment liabilities	2,283,537	2,638,596	1,967	2,428	2,285,504	2,641,024

A8. OPERATING SEGMENTS (CONTINUED)

Business segments (continued)

i) Reconciliation of reportable segment profit:

RM'000	← 12 Months Ended →	
	(Restated)	
	<u>2023</u>	<u>2022</u>
Total profit for reportable segments	614,933	551,696
Elimination of inter-segment profit	(220,000)	(210,000)
Consolidated profit before tax	<u>394,933</u>	<u>341,696</u>

ii) Reconciliation of reportable segment assets:

RM'000	← 12 Months Ended →	
	(Restated)	
	<u>2023</u>	<u>2022</u>
Total assets for reportable segments	4,769,018	5,049,620
Elimination of inter-segment assets	(200,000)	(200,000)
Consolidated assets	<u>4,569,018</u>	<u>4,849,620</u>

A9. EVENTS AFTER THE INTERIM PERIOD

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

A10. EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP

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

A11. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

On 22 February 2017, Lonpac Insurance Bhd (“Lonpac”), a wholly-owned subsidiary of LPI Capital Bhd (“LPI”), received a Notice of Proposed Decision 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 16 January 2024, the High Court dismissed MyCC’s application for leave to commence judicial review against the CAT’s decision. On 15 February 2024, MyCC filed a Notice of Appeal to the Court of Appeal against the High Court’s decision. The Court of Appeal has fixed a case management session for this matter on 15 May 2024.

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.

<u>31.12.2023</u>	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>		
RM'000										
Financial assets										
<i>Designated at fair value through other comprehensive income</i>										
- Quoted shares	945,063	-	-	945,063	-	-	-	-	945,063	945,063
<i>Mandatorily at fair value through profit or loss</i>										
- Unit trusts	-	923,739	-	923,739	-	-	-	-	923,739	923,739
- Real estate investment trusts ("REITs")	3,259	-	-	3,259	-	-	-	-	3,259	3,259
- Exchange-traded fund ("ETF")	636	-	-	636	-	-	-	-	636	636
- Quoted shares	4,940	-	-	4,940	-	-	-	-	4,940	4,940
- Unquoted shares	-	-	1,575	1,575	-	-	-	-	1,575	1,575
- Corporate bonds and Sukuk	-	284,141	-	284,141	-	-	-	-	284,141	284,141
<i>Amortised cost</i>										
- Malaysian government Securities	-	-	-	-	-	15,115	-	15,115	15,115	15,240
- Government investment Issues	-	-	-	-	-	39,857	-	39,857	39,857	39,821
- Malaysian government guaranteed loans	-	-	-	-	-	85,432	-	85,432	85,432	85,000
- Corporate bonds and Sukuk	-	-	-	-	-	43,319	-	43,319	43,319	43,302
	953,898	1,207,880	1,575	2,163,353	-	183,723	-	183,723	2,347,076	2,346,716

A12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

31.12.2022

RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>		
Financial assets										
<i>Designated at fair value through other comprehensive income</i>										
- Quoted shares	951,672	-	-	951,672	-	-	-	-	951,672	951,672
<i>Mandatorily at fair value through profit or loss</i>										
- 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
<i>Amortised cost</i>										
- 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 financial year ended 31 December 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	2022
	RM'000	RM'000
Unquoted shares		
Balance as at 1 January	1,472	1,392
Fair value gains recognised in profit or loss	<u>103</u>	<u>80</u>
Balance as at 31 December	<u>1,575</u>	<u>1,472</u>

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 2023	Preceding Year Corresponding Period Ended 2022	Current Year To Date Ended 2023	Preceding Year Corresponding Period Ended 2022
Income earned:				
Premium income	427	520	38,249	40,561
Dividend income	-	-	30,869	43,431
Fixed deposits income	-	-	1,817	2,107
Interest/profit income from corporate bonds and sukuk	-	-	1,397	1,387
Information technology services	54	320	-	-
	<u>481</u>	<u>840</u>	<u>72,332</u>	<u>87,486</u>
Expenditure incurred:				
Rental paid	-	-	(3,996)	(3,996)
Reimbursement of utilities	-	-	(316)	(296)
Insurance commission	(109)	(126)	(51,070)	(49,730)
	<u>(109)</u>	<u>(126)</u>	<u>(55,382)</u>	<u>(54,022)</u>
Other transaction:				
Purchase of corporate bonds and sukuk	-	-	(20,000)	(25,000)

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

B1. REVIEW OF GROUP PERFORMANCE

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	(Restated) Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	(Restated) Preceding Year Corresponding Period Ended		
	31.12.2023	31.12.2022	Amount	% / ppt (*)	31.12.2023	31.12.2022	Amount	% / ppt (*)
RM'mil								
Revenue by segments								
General insurance segment	480.9	371.7	109.2	29.4%	1,874.0	1,591.8	282.2	17.7%
Insurance revenue	457.1	352.2	104.9	29.8%	1,781.9	1,534.7	247.2	16.1%
Investment income	23.8	19.5	4.3	22.1%	92.1	57.1	35.0	61.3%
Investment holding segment								
Investment income	0.5	8.8	(8.3)	(94.3%)	31.4	43.1	(11.7)	(27.1%)
Total revenue	481.4	380.5	100.9	26.5%	1,905.4	1,634.9	270.5	16.5%
Revenue by geographical locations								
Malaysia	439.1	348.5	90.6	26.0%	1,748.6	1,512.6	236.0	15.6%
Singapore	42.3	32.0	10.3	32.2%	156.8	122.3	34.5	28.2%
Total revenue	481.4	380.5	100.9	26.5%	1,905.4	1,634.9	270.5	16.5%

(* 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	(Restated) Preceding Year Corresponding Quarter Ended			Current Year To Date Ended	(Restated) Preceding Year Corresponding Period Ended		
	31.12.2023	31.12.2022	Amount	% / ppt (*)	31.12.2023	31.12.2022	Amount	% / ppt (*)
Profit before tax by segments								
General insurance (RM'mil)	104.5	75.7	28.8	38.0%	371.3	307.1	64.2	20.9%
Investment holding (RM'mil)	(1.3)	7.0	(8.3)	(118.6%)	23.6	34.6	(11.0)	(31.8%)
Total profit before tax	103.2	82.7	20.5	24.8%	394.9	341.7	53.2	15.6%
Profit before tax by geographical locations								
Malaysia (RM'mil)	100.0	77.0	23.0	29.9%	378.2	331.8	46.4	14.0%
Singapore (RM'mil)	2.7	5.9	(3.2)	(54.2%)	14.9	9.1	5.8	63.7%
Cambodia (RM'mil)	0.5	(0.2)	0.7	350.0%	1.8	0.8	1.0	125.0%
Total profit before tax	103.2	82.7	20.5	24.8%	394.9	341.7	53.2	15.6%
Profit attributable to owners of the Company (RM'mil)	78.6	54.6	24.0	44.0%	313.7	252.2	61.5	24.4%
Net return on equity (%)	3.4	2.5	-	0.9 ppt	13.7	11.4	-	2.3 ppt
Earnings per share (sen)	19.72	13.71	6.01	43.8%	78.75	63.31	15.44	24.4%

(* ppt – percentage points)

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended 31.12.2023	(Restated) Preceding Year Corresponding Quarter Ended 31.12.2022			Current Year To Date Ended 31.12.2023	(Restated) Preceding Year Corresponding Period Ended 31.12.2022		
			Amount	% / ppt (*)			Amount	% / ppt (*)
Gross written premiums (RM'mil)	391.6	371.1	20.5	5.5%	1,730.7	1,629.0	101.7	6.2%
Net claims incurred ratio (%)	41.7	38.3	-	3.4 ppt	45.0	43.2	-	1.8 ppt
Management expenses ratio (%)	20.9	18.6	-	2.3 ppt	20.7	20.5	-	0.2 ppt
Net commission ratio (%)	8.8	8.0	-	0.8 ppt	8.4	7.1	-	1.3 ppt
Net insurance finance cost ratio (%)	3.0	2.0	-	1.0 ppt	3.1	1.7	-	1.4 ppt
Net losses on onerous contracts ratio (%)	0.4	11.7	-	(11.3) ppt	(0.3)	2.6	-	(2.9) ppt
Combined ratio (%)	74.9	78.6	-	(3.7) ppt	76.9	75.2	-	1.7 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 31 December:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2023</u>	<u>Restated 2022</u>	<u>2023</u>	<u>Restated 2022</u>	<u>2023</u>	<u>Restated 2022</u>	<u>2023</u>	<u>Restated 2022</u>	<u>2023</u>	<u>Restated 2022</u>
Insurance revenue	186,867	128,356	103,845	91,265	29,345	27,057	137,036	105,533	457,093	352,211
Incurred claims	(4,546)	(136,127)	(47,144)	(93,020)	9,814	1,575	(33,050)	(30,663)	(74,926)	(258,235)
Other incurred insurance service expenses	(2,948)	(592)	(8,263)	(4,008)	(696)	(487)	(8,150)	(4,400)	(20,057)	(9,487)
Amortisation of commission expense	(22,858)	(23,067)	(9,753)	(9,036)	(1,417)	(1,445)	(17,573)	(15,373)	(51,601)	(48,921)
Amortisation of other insurance acquisition cash flows	(10,986)	(11,251)	(9,716)	(10,561)	(2,147)	(1,823)	(10,221)	(10,265)	(33,070)	(33,900)
(Losses)/Reversals of losses on onerous contracts	(303)	1	(984)	(28,625)	(29)	(36)	1,194	(1,520)	(122)	(30,180)
Insurance service expenses	(41,641)	(171,036)	(75,860)	(145,250)	5,525	(2,216)	(67,800)	(62,221)	(179,776)	(380,723)
Allocation of reinsurance premiums paid	(76,888)	(15,959)	(3,223)	(6,100)	(22,306)	(20,678)	(53,763)	(33,323)	(156,180)	(76,060)
(Reversals of recoveries)/ Recoveries of incurred claims	(10,798)	116,948	(23,303)	41,275	(12,089)	(1,236)	7,269	6,736	(38,921)	163,723
Recoveries/(Reversals of recoveries) of losses on onerous underlying contracts	104	-	(1,155)	1,447	11	19	(17)	(13)	(1,057)	1,453
Net (expenses)/income from reinsurance contracts held	(87,582)	100,989	(27,681)	36,622	(34,384)	(21,895)	(46,511)	(26,600)	(196,158)	89,116
Insurance service result	57,644	58,309	304	(17,363)	486	2,946	22,725	16,712	81,159	60,604

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

Gross written premiums	162,612	156,318	113,841	101,549	22,082	21,868	93,019	91,361	391,554	371,096
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B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 2: Insurance service result by portfolio for the financial year ended 31 December:

RM'000	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
	<u>2023</u>	<u>Restated 2022</u>	<u>2023</u>	<u>Restated 2022</u>	<u>2023</u>	<u>Restated 2022</u>	<u>2023</u>	<u>Restated 2022</u>	<u>2023</u>	<u>Restated 2022</u>
Insurance revenue	759,730	606,001	397,610	359,694	103,362	94,741	521,219	474,262	1,781,921	1,534,698
Incurred claims	77,316	(356,135)	(239,713)	(297,653)	(86,838)	(16,776)	(177,535)	(182,309)	(426,770)	(852,873)
Other incurred insurance service expenses	(15,861)	(20,338)	(25,304)	(20,796)	(3,160)	(2,628)	(27,706)	(20,319)	(72,031)	(64,081)
Amortisation of commission expense	(89,487)	(85,126)	(37,386)	(34,860)	(6,108)	(5,550)	(66,058)	(57,246)	(199,039)	(182,782)
Amortisation of other insurance acquisition cash flows	(44,067)	(45,187)	(39,508)	(41,742)	(7,701)	(6,842)	(41,467)	(38,817)	(132,743)	(132,588)
(Losses)/Reversals of losses on onerous contracts	(401)	128	5,677	(25,846)	(10)	536	(1,691)	(2,385)	3,575	(27,567)
Insurance service expenses	(72,500)	(506,658)	(336,234)	(420,897)	(103,817)	(31,260)	(314,457)	(301,076)	(827,008)	(1,259,891)
Allocation of reinsurance premiums paid	(316,746)	(131,529)	(23,186)	(19,750)	(73,971)	(66,680)	(196,269)	(182,961)	(610,172)	(400,920)
(Reversals of recoveries)/ Recoveries of incurred claims	(163,810)	290,680	(20,283)	36,699	82,282	9,850	51,317	74,424	(50,494)	411,653
Recoveries/(Reversals of recoveries) of losses on onerous underlying contracts	152	(45)	(730)	1,364	6	(544)	44	(218)	(528)	557
Net (expenses)/income from reinsurance contracts held	(480,404)	159,106	(44,199)	18,313	8,317	(57,374)	(144,908)	(108,755)	(661,194)	11,290
Insurance service result	206,826	258,449	17,177	(42,890)	7,862	6,107	61,854	64,431	293,719	286,097

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

Gross written premiums	689,099	659,381	409,731	371,452	106,174	97,889	525,656	500,233	1,730,660	1,628,955
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B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Revenue

For the 4th quarter of financial year 2023, the Group's revenue increased by RM100.9 million to RM481.4 million from RM380.5 million recorded in the corresponding quarter in 2022. The 26.5% growth in revenue was largely contributed by its general insurance segment, which increased by RM109.2 million to RM480.9 million as compared to RM371.7 million in the corresponding quarter in 2022. The increase was largely attributed to higher insurance revenue of RM457.1 million as compared to RM352.2 million in the corresponding quarter in 2022. Investment holding segment recorded lower revenue of RM0.5 million as compared to RM8.8 million in the corresponding quarter in 2022 was due to lower dividend income received.

For the financial year ended 31 December 2023, the Group's revenue increased by 16.5% or RM270.5 million to RM1,905.4 million from RM1,634.9 million in the preceding financial year. Of the total amount of RM1,905.4 million, RM1,874.0 million was generated from general insurance segment and RM31.4 million from investment holding segment. The increase in revenue was mainly driven by the general insurance segment, which registered an increase of 17.7% or RM282.2 million compared to RM1,591.8 million for the financial year ended 31 December 2022. The investment holding segment recorded lower revenue of RM31.4 million as compared to RM43.1 million in 2022, mainly due to lower dividend income received during the current financial year.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Profit Before Tax

Profit before tax of the Group for the 4th quarter of financial year 2023 increased by 24.8% or RM20.5 million to RM103.2 million from RM82.7 million in the corresponding quarter in 2022. The increase was driven by the higher profit from general insurance segment, which increased by 38.0% or RM28.8 million to RM104.5 million from RM75.7 million in the 4th quarter of financial year 2022, mainly contributed by higher insurance service result as compared to the corresponding quarter last year. The investment holding segment recorded a loss before tax of RM1.3 million as compared to a profit of RM7.0 million in the corresponding quarter in 2022 mainly due to lower dividend income received during the 4th quarter of financial year 2023.

Profit before tax of the Group for the current financial year under review grew by 15.6% or RM53.2 million to RM394.9 million from RM341.7 million in the preceding financial year. The increase was primarily driven by the higher profit from general insurance segment, which increased by 20.9% or RM64.2 million to RM371.3 million from RM307.1 million reported in the financial year ended 31 December 2022. 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 RM25.8 million as opposed to RM8.3 million net fair value losses recorded in the previous financial year. The investment holding segment recorded a lower profit before tax of RM23.6 million as compared to RM34.6 million reported in the financial year 2022 mainly due to lower tax-exempt dividend income received from its equity investment.

Business operations in Malaysia contributed to 96.9% of the Group's total profit before tax in the 4th quarter of financial year 2023 and 95.8% for the current financial year.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

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

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31.12.2023	(Restated) Preceding Year Corresponding Quarter Ended 31.12.2022	Current Year To Date Ended 31.12.2023	(Restated) Preceding Year Corresponding Period Ended 31.12.2022
RM'mil				
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	2.9	0.1	13.4	9.4
Net finance expenses from insurance contracts	(1.7)	(4.9)	(9.0)	(1.2)
Net finance income from reinsurance contracts	0.3	2.2	5.6	2.6
Income tax relating to these items	0.3	0.6	0.9	(0.2)
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	50.6	19.8	(6.9)	35.0
Income tax relating to these items	(0.3)	(0.1)	0.2	(0.1)
Total other comprehensive income for the period, net of tax	52.1	17.7	4.2	45.5

The Group's total other comprehensive income for year ended 31 December 2023 recorded a net gain of RM4.2 million as compared to net gain of RM45.5 million in the financial year 2022. The net gain recorded was mainly contributed by foreign currency translation gains for foreign operation.

B1. REVIEW OF GROUP PERFORMANCE (CONTINUED)

Table 4: Review of assets and liabilities

RM'mil	As at 31.12.2023	(Restated) As at 31.12.2022	Changes	
			Amount	%
Total assets	4,569.0	4,849.6	(280.6)	(5.8%)
Total liabilities	2,285.5	2,641.0	(355.5)	(13.5%)
Total equity	2,283.5	2,208.6	74.9	3.4%

Total assets

As at 31 December 2023, the Group's total assets were lower by RM280.6 million to RM4,569.0 million from RM4,849.6 million as at 31 December 2022. The decrease was mainly due to lower reinsurance contract assets. The general insurance segment accounted for 79.1% of the Group's total assets as at 31 December 2023.

Total liabilities

As at 31 December 2023, total liabilities of the Group were lower by RM355.5 million to RM2,285.5 million from RM2,641.0 million as at 31 December 2022. This was mainly due to RM359.6 million decrease in insurance contract liabilities of its general insurance segment.

Total equity

The Group's total equity was higher by 3.4% or RM74.9 million to RM2,283.5 million from RM2,208.6 million as at 31 December 2022. The Group's retained earnings recorded a net increase of RM70.7 million after the payment of dividends of RM243.0 million from the current year's net profit of RM313.7 million. The fair value reserves decreased by RM6.7 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 increased to RM5.72 from RM5.53 as at 31 December 2023.

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 31.12.2023 SGD1.00 = RM3.51	Functional Currency SGD'000	Reporting Currency RM'000
Insurance revenue	41,874	146,979
Investment income	2,787	9,781
Total revenue	44,661	156,760
Profit before tax	4,249	14,914
Profit after tax	3,640	12,775
Total assets	68,551	240,614
Total liabilities	56,147	197,077

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 31.12.2023	(Restated) Preceding Year Corresponding Period Ended 31.12.2022
Profit after tax	313.7	252.2
Net cash flows (used in)/generated from operating activities	(172.6)	926.1
Net cash flows used in investing activities	(2.0)	(5.8)
Net cash flows used in financing activities	(250.0)	(285.7)
Net (decrease)/increase in cash and cash equivalents	(424.6)	634.6
Cash and cash equivalents at 1 January	724.9	87.9
Effect of movement in exchange rates	14.7	2.4
Cash and cash equivalents at 31 December	315.0	724.9

For the year ended 31 December 2023, the net cash flows used in operating activities of the Group of RM172.6 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 year amounted to RM2.0 million, mainly relating to the purchase of plant and equipment.

The Group's balance sheet did not carry any debts other than insurance contract liabilities which decreased by RM359.6 million to RM2,199.8 million as at 31 December 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 ended 31 December 2023) during the current financial year.

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

	Current Year Quarter Ended 31.12.2023	Immediate Preceding Quarter Ended 30.09.2023	Changes	
			Amount	% / ppt
Insurance revenue (RM'mil)	457.1	454.4	2.7	0.6%
Investment income (RM'mil)	24.3	44.0	(19.7)	(44.8%)
Total revenue (RM'mil)	481.4	498.4	(17.0)	(3.4%)
Profit before tax (RM'mil)	103.2	119.6	(16.4)	(13.7%)
Profit attributable to owners of the Company (RM'mil)	78.6	97.4	(18.8)	(19.3%)
Net return on equity (%)	3.4	4.5	-	(1.1) ppt
Earnings per share (sen)	19.72	24.45	(4.73)	(19.3%)
Gross written premiums (RM'mil)	391.6	447.9	(56.3)	(12.6%)
Insurance service result (RM'mil)	81.2	88.5	(7.3)	(8.2%)
Net claims incurred ratio (%)	41.7	39.4	-	2.3 ppt
Management expenses ratio (%)	20.9	20.0	-	0.9 ppt
Net commission ratio (%)	8.8	8.7	-	0.1 ppt
Net insurance finance cost ratio (%)	3.0	2.9	-	0.1 ppt
Net losses on onerous contracts ratio (%)	0.4	-	-	0.4 ppt
Combined ratio (%)	74.9	71.1	-	3.8 ppt

For the 4th quarter of financial year 2023, the Group recorded a lower profit before tax of RM103.2 million as compared to RM119.6 million in the preceding quarter ended 30 September 2023. The decrease in the profit before tax for the said quarter was mainly due to lower insurance service result and investment income received.

B3. NEXT YEAR PROSPECTS

- a) Malaysia's economy is expected to improve in 2024, benefiting from the potential turnaround in external demand and continuing resilient domestic demand. However, since the implementation of the phased liberalisation of Malaysia's general insurance industry, there has been greater price competition which is likely to exert pressure on underwriting margins. Extreme weather events such as floods have also pushed up the cost of reinsurance and affected insurers' profitability. Lonpac will continue to adhere to appropriate pricing policies for certain flood-related products and prudent underwriting practices to mitigate the risk. The LPI Group will also continue to focus on strengthening and expanding its distribution channels, especially Agency and Bancassurance, to build larger market shares in our portfolio.
- 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 (Restated)		Cumulative Period (Restated)	
	Current Year Quarter Ended <u>31.12.2023</u>	Preceding Year Corresponding Quarter Ended <u>31.12.2022</u>	Current Year To Date Ended <u>31.12.2023</u>	Preceding Year Corresponding Period Ended <u>31.12.2022</u>
Profit before tax	103,192	82,687	394,933	341,696
Income tax:				
Current tax charge	25,918	36,937	65,327	90,217
Under/(Over) provision in prior year	-	69	(1,768)	(1,260)
Deferred taxation	(1,306)	(8,933)	17,648	519
Total tax expense	24,612	28,073	81,207	89,476
Effective tax rate on current tax charge	24%	34%	21%	27%

The effective tax rate on the current tax charge of the Group for the current financial year ended 31 December 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 19 February 2024, the latest practicable date which is not earlier than 7 days from the date of the issue of this quarterly report.
- b) Brief explanation of the status of utilisation of proceeds raised from any corporate proposal – Not Applicable.

B8. GROUP BORROWINGS AND DEBT SECURITIES

The Group has no outstanding borrowings and debt securities for the current financial year ended 31 December 2023.

B9. DISCLOSURE OF DERIVATIVES

A disclosure on outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 December 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 year ended 31 December 2023.

B11. CHANGES IN MATERIAL LITIGATION

There were no pending material litigations since the last annual balance sheet date up to 19 February 2024, which is not earlier than 7 days from date of issue of this quarterly report.

B12. DIVIDEND

- a. i) The Directors had declared a second interim single tier dividend for the financial year ended 31 December 2023.
- ii) The amount per share: 40.00 sen single tier.
- iii) The previous corresponding period for second interim single tier dividend: 35.00 sen single tier.
- iv) The date payable: 20 March 2024.
- v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 12 March 2024.
- b. The total dividend for the financial year ended 31 December 2023:-

	<u>Net per share</u> <u>(sen)</u>
<u>First Interim Dividend</u>	
• Single tier dividend	26.00
<u>Second Interim Dividend</u>	40.00
• Single tier dividend	<hr/> 66.00 <hr/>

B13. EARNINGS PER SHARE

a) Basic earnings per share

	Individual Period (Restated)		Cumulative Period (Restated)	
	Current Year Quarter Ended <u>31.12.2023</u>	Preceding Year Corresponding Quarter Ended <u>31.12.2022</u>	Current Year To Date Ended <u>31.12.2023</u>	Preceding Year Corresponding Period Ended <u>31.12.2022</u>
Profit after tax (RM'000)	78,580	54,614	313,726	252,220
Weighted average no. of ordinary shares in issue (‘000)	398,383	398,383	398,383	398,383
Basic earnings per share (sen)	19.72	13.71	78.75	63.31

b) Diluted earnings per share. – Not Applicable.

B14. PROFIT FOR THE PERIOD

	Individual Period (Restated)		Cumulative Period (Restated)	
	Current Year Quarter Ended <u>31.12.2023</u> RM'000	Preceding Year Corresponding Quarter Ended <u>31.12.2022</u> RM'000	Current Year To Date Ended <u>31.12.2023</u> RM'000	Preceding Year Corresponding Period Ended <u>31.12.2022</u> RM'000
Profit for the period is arrived at after charging:				
Depreciation of plant and equipment (NI)	602	681	2,516	2,841
Depreciation of right-of-use assets (NI)	1,836	1,776	7,212	7,052
Amortisation of intangible assets (NI)	651	1,012	2,778	3,928
Net impairment loss on investments carried at amortised cost	-	1	-	-
Net foreign exchange loss (NI)	132	-	74	-
and after crediting:				
Interest income (N2)	14,328	10,867	54,747	33,771
Dividend income (N2)	9,696	17,221	67,872	65,595
Rental income (N2)	236	213	876	801
Net reversal of impairment loss on investments carried at amortised cost	-	-	1	-
Net foreign exchange gain (NI)	-	275	-	498
Bad debts recoveries (NI)	-	-	-	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 year ended 31 December 2023.

(NI) 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, these amounts are still exposed 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
31.12.2023						
Trade receivables arise from insurance contracts	97,775	26,389	29,130	12,353	2,070	167,717
Trade receivables arise from reinsurance contracts	7,794	3,261	1,312	7,718	-	20,085
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.