LPI CAPITAL BHD

(4688-D)

ANNUAL REPORT 2018

OUR COVER
STORY

The central element of this cover is a diamond shot from the top. The multi-faceted nature of the diamond, its status as a precious stone and its durability as one of the hardest elements in nature reflects our perception of what we offer to our customers. Lonpac is a premier insurance solutions provider which is similarly multi-faceted and that creates long-term and sustainable value to our clients. The protection and peace of mind that we provide our clients are therefore as precious as a diamond, and just as long-lasting.

58TH FIFTY-EIGHTH ANNUAL GENERAL MEETING

Sabah Room, Basement II
Shangri-La Hotel Kuala Lumpur
11 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Wednesday
27 March 2019

11.00 a.m.

This annual report is available on the web at **www.lpicapital.com**

To contact us, please refer to the Corporate Information on page 4 and the Group Corporate Directory on pages 300 to 302

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VISION

TO BE THE PREFERRED PREMIER INSURANCE SOLUTIONS PROVIDER.

CORPORATE MISSION

Our primary focus is to provide innovative insurance products supported by customer-centric service excellence. We aim to provide our insured an easy channel for all their insurance needs.

Our brand is representative of the way we conduct ourselves and the approach to organisational development. We aim to create an environment for our people that is fair, caring and accountable.

Our drive is to create value for our stakeholders, anchored to our vision and corporate mission. We strive for sustainability through financial and technical strength based on recognised and proven standards.

OUR CORE VALUES

Represent the way we conduct ourselves and our responsibilities to our insured, our stakeholders, our people and our community.

L — ASPIRE TO BE THE LEADER IN THE INSURANCE INDUSTRY IN MALAYSIA AND IN THE REGION.

O — COMMITMENT TO OPERATIONAL EXCELLENCE GUIDED BY INTEGRITY AND PROFESSIONALISM.

N — CREATING NEW AND INNOVATIVE MARKET-RELEVANT INSURANCE PRODUCTS.

P — PROVIDING A FAIR, CARING AND MERIT BASED WORKING ENVIRONMENT.

A — ADOPTING A PROACTIVE AND ACCOUNTABLE APPROACH TO STAKEHOLDERS.

C — CRAFTING A PREMIER INSURANCE BRAND IDENTIFIED FOR GOOD CORPORATE GOVERNANCE AND CORPORATE RESPONSIBILITY.

CORPORATE
INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Sri Dr. Teh Hong Piow

Non-Independent Non-Executive Chairman

PSM, SSAP, SPMJ, SIMP, SSIJ, DSAP, DPMJ, Datuk Kurnia Sentosa Pahang, JP Hon LLD (M'sia); EFMIM (M'sia); Fellow, AICB; FCIB (UK); FGIA (Aust); CCMI (UK); FICM (UK); FInstAM (UK); D.Univ *Sunway h.c.*

Mr. Tee Choon Yeow

Independent Non-Executive Co-Chairman

B.Com.; CA (NZ); CA (M'sia); FCPA (Aust)

Mr. Tan Kok Guan

Chief Executive Officer/ Executive Director

Chartered Insurer
B.Sc. (Hons.); MBA; ACII; AMII

Mr. Lee Chin Guan

Independent Non-Executive Director

B.Sc. (Hons); BCL (Oxon); LLM (Cantab); JD (Chicago-Kent); Barrister-at-Law (Middle Temple)

Mr. Quah Poh Keat

Non-Independent Non-Executive Director

FCCA (UK); CA (M'sia); CPA (M'sia); ACMA (UK); Fellow MIT (M'sia)

Ms. Chan Kwai Hoe

Independent Non-Executive Director

BEc (Hons) Analytical Econs

Ms. Soo Chow Lai

Independent Non-Executive Director

BA Econs (Hons)

COMPANY SECRETARY

Ms. Kong Thian Mee
Chartered Secretary (FCIS)
MAICSA 7024050
Tel No. : (03) 2262 8688
Email : lpicosec@lonpac.com

REGISTERED OFFICE

6th Floor, Bangunan Public Bank,
6, Jalan Sultan Sulaiman,
50000 Kuala Lumpur, Malaysia.
Tel No. : (03) 2262 8688/2723 7888
Fax No.: (03) 2078 7455

AUDITORS

Messrs KPMG PLT
Chartered Accountants
Level 10, KPMG Tower,
8, First Avenue,
Bandar Utama,
47800 Petaling Jaya,
Selangor, Malaysia.
Tel No. : (03) 7721 3388
Fax No.: (03) 7721 3399

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd

Office:
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.
Tel No. : (03) 2783 9299
Fax No.: (03) 2783 9222
Email : is.enquiry@my.tricorglobal.com

Tricor Customer Service Centre:
Unit G-3, Ground Floor, Vertical Podium,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia Securities Berhad
Listing Date : 8 January 1993
Stock Name : LPI
Stock Code : 8621

HEAD OFFICE

6th Floor, Bangunan Public Bank,
6, Jalan Sultan Sulaiman,
50000 Kuala Lumpur, Malaysia.
Tel No. : (03) 2262 8688/ 2723 7888
Fax No.: (03) 2078 7455

WEBSITE

www.lpicapital.com

INVESTOR RELATIONS

Mr. Tan Kok Guan
Chief Executive Officer/ Executive Director
LPI Capital Bhd
Tel No. : (03) 2034 2670
Email : kgtan@lonpac.com

Mr. Looi Kong Meng
Chief Executive Officer/ Executive Director
Lonpac Insurance Bhd
Tel No. : (03) 2262 8620
Email : kmlooi@lonpac.com

AGM HELPDESK

Tel No. : (03) 2262 8687/ 2262 8686/ 2262 8675
Fax No.: (03) 2078 7455
Email : lpicosec@lonpac.com

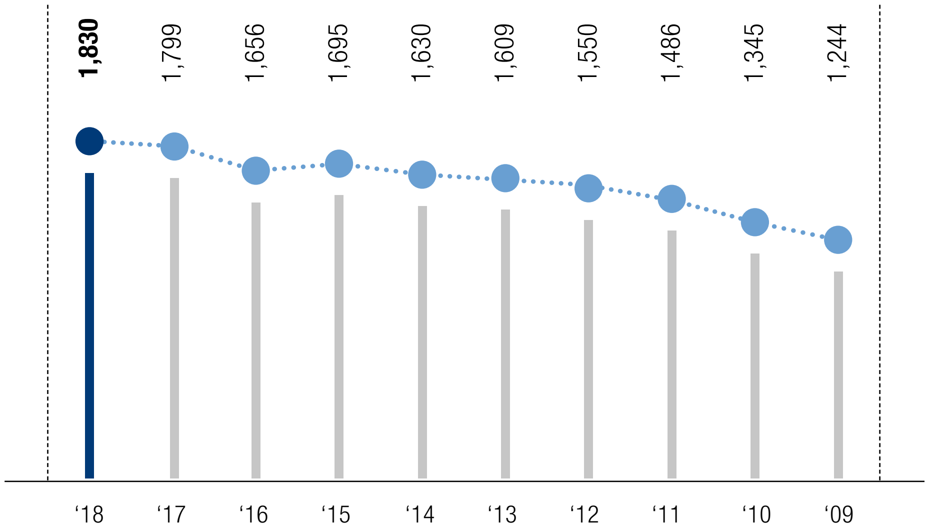
GROUP
CORPORATE STRUCTURE
As at 31 December 2018

NOTES:
- The companies reflected above are operating subsidiary/ associated companies.
- The full list of companies under the LPI Group is set out in Notes 5 and 6 to the Financial Statements on pages 191 to 192 of this Annual Report.

NON-FINANCIAL HIGHLIGHT

Gross Written Premiums Income per Employee

(RM'000)



No. of Employees

803

No. of Policies Issued
per Employee

2,554

THE BRANDLAUREATE BESTBRANDS AWARDS 2017-2018
for Most Valuable Brand in General Insurance

by Asia Pacific Brands Foundation
3 May 2018

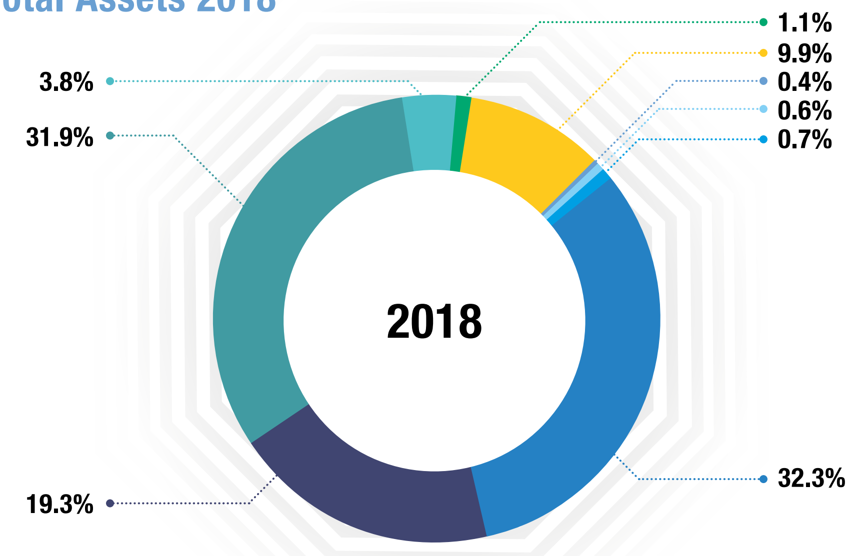
2 MOST IMPROVED PLCs (MALAYSIA) AWARD – 2ND ASEAN CORPORATE GOVERNANCE AWARDS CEREMONY 2018

by Minority Shareholders Watch Group
21 November 2018

2018
AT A GLANCE

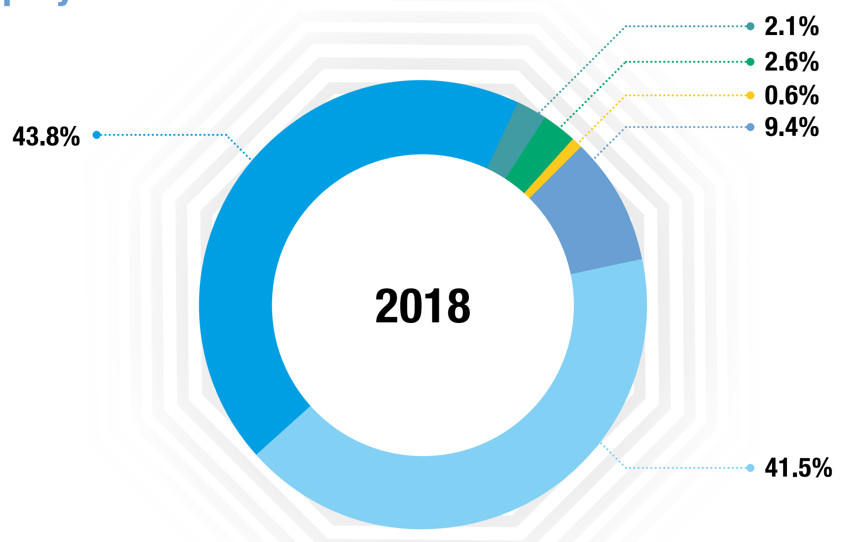
FINANCIAL HIGHLIGHT

Total Assets 2018



- Plant and equipment
- Investment properties
- Investment in associated company
- Other investments
- Reinsurance assets
- Loans and receivables, excluding insurance receivables
- Insurance receivables
- Deferred acquisition costs
- Cash and cash equivalents

Equity & Liabilities 2018



- Share capital
- Reserves
- Insurance contract liabilities
- Insurance payables
- Deferred tax liabilities, borrowings and other payables
- Tax payables

Gross Written Premiums

RM
1.5 billion

Profit Before Tax

RM
406.0 million

Return on Equity

14.6%

Return on Assets

7.4%

Net Dividend
per share

68.0 sen

2018

AT A GLANCE

CORPORATE MILESTONES SINCE 1962

1962

On 24 May 1962, London and Pacific Insurance Company Limited ("LPICL") was incorporated as a private limited company.

1963

On 9 April 1963, LPICL was registered as an approved insurer under the Malaysian Insurance Act, 1963.

1965

LPICL paid its 1st dividend of 25% tax exempt per ordinary share of RM1.00 each.

1966

LPICL changed its name to London and Pacific Insurance Company Sdn Bhd ("LPICSB") with effect from 15 April 1966.

1972

The share capital increased to RM6,000,000 ordinary shares of RM1.00 each from an initial paid-up capital of RM1,000,000 in 1963, through 1:2 bonus issue and share allotment.

LPICSB was converted into a public company and changed its name to London and Pacific Insurance Company Berhad ("LPICB") on 30 December 1972.

1973

The share capital increased to RM8,000,000 ordinary shares of RM1.00 each through 1:3 rights issue at RM1.00.

1980

The share capital of LPICB increased to RM11,000,000 ordinary shares of RM1.00 each through allotment of 7½% Convertible Preference Shares of RM0.50 each.

1992

The share capital increased to RM19,800,000 ordinary shares of RM1.00 each through 4:5 bonus issue.

1993

On 8 January 1993, LPICB was listed on the Second Board of Bursa Securities, then known as the Kuala Lumpur Stock Exchange.

1st RM10 million annual profit before tax with RM13.9 million profit before tax in the year.

1994

Lonpac, a wholly-owned subsidiary of LPICB, was incorporated on 12 July 1994.

The share capital increased to RM29,700,000 ordinary shares of RM1.00 each through 1:2 bonus issue.

1996

On 15 April 1996, LPICB moved its Head Office to Bangunan Public Bank, No. 6, Jalan Sultan Sulaiman, 50000 Kuala Lumpur.

On 15 August 1996, LPICB was appointed by the Ministry of Human Resources to administer an insurance scheme – Foreign Workers Compensation Scheme, to provide coverage for industrial accident to foreign workers as provided under Section 26(2) of the Workmen's Compensation Act 1952.

The share capital increased to RM53,460,000 ordinary shares of RM1.00 each through 2:5 bonus issue and 2:5 rights issue at RM7.00.

1997

The listing of LPICB shares was transferred to the Main Market (then known as Main Board) of Bursa Securities on 17 January 1997.

On 15 May 1997, LPICB signed a reinsurance agreement with a panel of reinsurers on the Foreign Workers Compensation Scheme, witnessed by Dato' Lim Ah Lek, Minister of Human Resources.

The new Corporate Logo was launched on 22 May 1997 in conjunction with LPICB's 35th Anniversary.

1999

The share capital increased to RM106,920,000 ordinary shares of RM1.00 each through 1:1 bonus issue.

Exercised a rationalisation scheme on 1 May 1999 to transfer the entire insurance business from LPICB to Lonpac.

LPICB changed its name to LPI Capital Bhd on 3 May 1999.

2018 AT A GLANCE

CORPORATE MILESTONES SINCE 1962

2000

The share capital increased to RM107,355,000 ordinary shares of RM1.00 each through Employees Share Option Scheme ("ESOS") exercise.

2001

The share capital increased to RM107,398,000 ordinary shares of RM1.00 each through ESOS exercise.

2002

On 7 February 2002, Lonpac celebrated a new business partnership with NIPPONKOA Insurance Co. Ltd ("NIPPONKOA"), witnessed by Dato' Chan Kong Choy, Deputy Minister of Finance.

The share capital increased to RM118,137,000 ordinary shares of RM1.00 each through subscription of new ordinary shares by NIPPONKOA.

2003

The share capital increased to RM120,159,000 ordinary shares of RM1.00 each through ESOS exercise.

2004

Official opening of Customer Service Centre on 29 July 2004.

The share capital increased to RM128,901,000 ordinary shares of RM1.00 each through ESOS exercise.

2005

The share capital increased to RM138,723,000 ordinary shares of RM1.00 each through ESOS exercise.

1st RM100 million annual profit before tax with RM103.6 million profit before tax in the year.

2007

LPI held 45% interest in a Cambodian insurance company named Campu Lonpac Insurance Plc. This is for the purpose of carrying out general insurance business in Cambodia, pursuant to approvals received from Bank Negara Malaysia and relevant Cambodian regulatory authorities.

2009

Total assets surpassed RM1 billion for the first time.

2010

The share capital increased to RM221,323,980 ordinary shares of RM1.00 each through 1:2 bonus issue and 1:10 rights issue at RM7.00.

Lonpac became the first Malaysian company to win the General Insurance Company of the Year Award at the 14th Asia Insurance Industry Awards 2010.

2012

1st RM1 billion annual gross premium income with RM1.03 billion gross premium income in the year.

2013

Total assets surpassed RM3 billion for the first time.

2014

1st RM300 million annual profit before tax with RM341.9 million profit before tax in the year.

2015

The share capital increased to RM331,985,808 ordinary shares of RM1.00 each through 1:2 bonus issue.

2016

1st RM500 million annual profit before tax with RM518.9 million profit before tax in the year.

2017

Underwriting profit exceeded RM300 million to record RM305.8 million underwriting profit in the year.

2018

The share capital increased to RM398,382,753 ordinary shares of RM1.00 each through 1:5 bonus issue.

The awards and recognition conferred to LPI Capital Bhd ("LPI") and its wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac") are affirmations of the Group's commitment towards excellence, guided by its Vision "To be the Preferred Premier Insurance Solutions Provider".

1

THE BRANDLAUREATE BESTBRANDS AWARDS 2017-2018

for Most Valuable Brand in General Insurance

by Asia Pacific Brands Foundation
3 May 2018

Lonpac was conferred The BrandLaureate BestBrands Awards 2017-2018 for Most Valuable Brand in General Insurance by the Asia Pacific Brands Foundation. Recipients of The BrandLaureate Most Valuable Brand Awards are market leaders with international footprints. Lonpac has won The BrandLaureate awards for the 8th consecutive year since 2011.

2018
AT A GLANCE
AWARDS AND RECOGNITION

2

2 MOST IMPROVED PLCs (MALAYSIA) AWARD – 2ND ASEAN CORPORATE GOVERNANCE AWARDS CEREMONY 2018

by Minority Shareholders Watch Group
21 November 2018

LPI was conferred 2 Most Improved PLCs (Malaysia) Award at the 2nd ASEAN Corporate Governance Awards Ceremony 2018. The awards were presented to the ASEAN public listed companies ("PLCs") that had achieved excellence in corporate governance best practices based on the ASEAN CG Scorecard assessment.

LPI Capital 1Q net profit up 2.7%

BY SURIN MURUGIAH

KUALA LUMPUR: LPI Capital Bhd's net profit rose 2.7% to RM72.5 million in the first quarter ended March 31, 2018 (1QFY18), from RM70.56 million a year ago, mainly contributed by its wholly-owned insurance arm Lonpac Insurance Bhd, which saw its gross premium income expand 16.2% year-on-year (y-o-y) to RM403.2 million.

"Geographically, approximately 100% of the group's total pre-tax profit in 1QFY18 was generated in Malaysia," LPI said.

Earnings per share also came in higher at 21.84 sen in 1QFY18 compared with 21.25 sen in 1QFY17.

Quarterly revenue grew 9.6% to RM381 million from RM347.64 million a year ago, mainly driven by growth in gross earned premium of 9.9% y-o-y from its general insurance segment.

In a filing with Bursa Malaysia yesterday, LPI said this was the result of its organic growth as it continued to build market share with its diversified distribution channels, especially strong agency network. "Investment holding segment increased marginally to RM16.1 million from RM16 million in 1QFY17 due to higher dividend income received," it added.

On prospects, LPI said it will continue to build its market share through organic growth strategy.

"We will seize the opportunities presented by the new liberalised regime to further strengthen our market position particularly through new product development and the implementation of the new digital strategy.

"We hope that with the implementation of our strategic plans, we can report more favourable performance for the subsequent quarters despite the challenging environment," it added.

郑鸿标不退休 连任伦平主席

27 March 2018

次季淨利雖跌
倫平資本仍派息26仙

（吉隆坡9日讯）普险全面自由化进入第2阶段，市场持续面对强烈竞争，伦平资本（LPI，8621，主要板金融）截至6月底2018财年次季净利按年减少3.4%至6574万令吉，但仍宣布每股派息26仙。

伦平资本创办人兼集团主席丹斯里郑鸿标博士指出，由于公司业绩表现稳，将在8月1日派发每股26仙中期股息，除权日定在下周五（20日）。

郑鸿标说："是次派息总值1亿360万令吉，相等于股息派发率74%。这笔股息派发也比去年8月份所派发的股息规模，即8960万令吉高出15.6%。"

伦平资本次季营业额则略升0.1%至3亿3305万令吉。

该集团旗下子公司伦平保险（Lonpac Insurance）次季总保费收入跌1.1%至3亿380万令吉，赔偿额比率（claim incurred ratio）增至41%。

该集团首半财年净赚1亿3824万令吉，净利按年减少0.3%，营业额增4.8%至7亿3405万令吉；净股本回报率（ROE）为6.8%。

有信心下半年會好

"伦平保险首半年税前盈利升2.1%至1亿6310万令吉，尽管市场竞争激烈，但伦平保险仍继续扩大其市场份额，总保费收入起8.9%至7亿8700万令吉。"

他说，尽管近期因贸易战导致全球经济环境变得不稳，但目前为止，我国经济仍保持弹性，有信心在下半年交出可观的表现。

"集团将继续实施谨慎的业务策略，以进一步巩固市场地位，并改善业绩。"

■郑鸿标

LPI Capital to grow Cambodia, Singapore ops

It is also preparing for the phased insurance liberalisation in Malaysia

LPI Capital 2Q18 net profit slides 3.4%

by SHAHEERA AZNAM SHAH

LPI Capital Bhd's net profit fell 3.4% for the second quarter ended June 30, 2018 (2Q18), to RM65.74 million from RM68.06 million a year ago due to the liberalised environment and stiff competition in the insurance sector.

The general insurance firm's revenue grew slightly by 0.1% year-on-year (YoY) to RM333.05 million as a result of higher income from its general insurance segment.

LPI Group founder and group chairman Tan Sri Dr Teh Hong Piow noted the new competitive environment has compressed the profit margin of industry players.

"The country's general insurance industry continues to see stiff competition with the Phase 2 of market liberalisation in full force as players take advantage of the liberalised environment to build their respective market share.

"LPI Group has worked to compensate the lower margin with a bigger market share," he said in a statement yesterday.

Additionally, LPI said the declined in net profit was also derived from lower gains from its investment holding.

"The investment holding segment has recorded a decrease of 109.1% compared to the previous corresponding quarter, mainly due to the non-recurring gains of RM1.5 million from the sale of equity investment in 2017," it said in an exchange filing yesterday.

The investment holding segment posted a lower revenue of RM1.7 million against RM2.1 million a year ago due to lower dividend income received.

LPI's net earned premium rose 5.9% YoY to RM225.1 million from RM212.5 million, while the general insurance segment posted a marginally higher profit of RM87.1 million against RM87 million last year.

The underwriting profit was maintained at RM59.6 million due to higher claims incurred.

For the first half of 2018 (1H18), LPI's net profit dropped 0.3% to RM138.24 million from RM138.63 million a year ago, while its revenue grew 4.8% to RM734.05 million from RM700.35 million.

The company's net return on equity was lower by 6.8% in 1H18, compared to 7.0% previously, partly due to its enlarged equity base, while earnings per share registered at 34.7 sen.

It proposed an interim dividend of 26 sen per share, amounting to RM103.6 million for the period under review, to be paid on Aug 1, 2018.

Meanwhile, Lonpac Insurance Bhd's gross premium income fell 1.1% YoY to RM303.8 million from RM307.2 million last year, while its net earned premium income rose 5.9% to RM225.1 million from RM212.5 million.

LPI's wholly-owned subsidiary's underwriting profit was maintained at RM70.8 million.

Teh said Lonpac has managed to continue growing its market share amid the competitive market conditions, with gross premium income showing a strong growth in 1H18 against the same period last year.

"For 1H18, Lonpac reported a 2.1% growth in its profit before tax from RM159.8 million registered in the previous corresponding period to RM163.1 million," he said.

Its claims incurred ratio for 2Q18 climbed to 41% from 39.7%, while the combined ratio also increased slightly to 68.7% from 66.8%.

Teh said LPI is operating in full force to compensate the lower margin and bigger market share derived from the market liberalisation within the insurance industry.

"Malaysia's economy has remained resilient amid the volatile global economic environment arose from trade conflicts.

"We are confident it will sustain in the 2H18. The group will continue to implement its prudent business strategies to further strengthen its market position and improve its performance," he said.

净保费收入增 1.6%
伦平第三季赚 9181 万

2018
AT A GLANCE
MEDIA HIGHLIGHTS 2018

LPI announces dividend and bonus issue

PETALING JAYA: LPI Capital Bhd has proposed a bonus issue on the basis of one bonus share for every five existing shares.

In a filing with Bursa Malaysia yesterday, the insurance company said the bonus issue would entail the issuance of up to 66.4 million bonus shares.

It said the bonus issue is aimed at rewarding existing shareholders for their loyalty and continuous support as well as increasing the share capital of the company to a level that will better reflect the current scale of operations and assets employed by LPI and its subsidiaries.

LPI said the bonus issue will be capitalised at RM1 for each bonus share with RM6.26mil from the share premium account of the company, while the remaining RM60.14mil will be from its retained earnings.

"Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the proposed bonus issue is expected to be completed in the second quarter of 2018," said the company.

In a separate statement to the local bourse yesterday, LPI announced that it is declaring a second interim single-tier dividend of 45 sen per share, to be paid on Feb 6.

Separately, LPI announced that its net profit for its fourth quarter ended Dec 31, 2017 rose 1.9% to RM83mil from RM81.45mil previously, largely contributed by profit from the general insurance segment.

Revenue during the quarter increased to RM363.49mil from RM355.55mil a year earlier.

The company said revenue was mainly driven by growth in gross earned premiums of RM7.3mil (or 1.2%) from its general insurance segment.

For its financial year ended Dec 31, 2017, meanwhile, LPI's net profit dropped to RM313.79mil from RM437.22mil in the previous corresponding period.

"The decrease came from the investment holding segment, which recorded a lower profit before tax of RM29.4mil from RM179.7mil previously, mainly due to the non-recurring gains of RM150.4mil from the sale of equity investment in 2016."

Revenue in 2017, meanwhile, increased to RM1.47bil from RM1.38bil a year earlier, which was largely contributed by the general insurance segment.

On its prospects for the year ahead, LPI said domestic demand is expected to remain the key source of growth for the company.

"The external sector will provide additional impetus to the economy, benefiting from the improvement in global growth. Overall, the momentum is for growth to remain strong in 2018.

"We are, nevertheless, confident that the group would be able to ride the challenges and take advantage of the opportunities presented to report another favourable performance for 2018."

LPI Capital plans one-for-five bonus issue, 45 sen dividend after 4Q profit rises

KUALA LUMPUR: LPI Capital Bhd, which posted a 2% year-on-year (y-o-y) rise in net profit in its final quarter of the financial year 2017 (4QFY17), is planning a one-for-five bonus issue and a second interim dividend payout of 45 sen per share.

The bonus issue will entail the issuance of up to 66.4 million new shares, on the basis of one bonus share for five existing ones held, on an entitlement date to be fixed, LPI Capital said in a stock exchange filing yesterday.

The bonus shares will be capitalised at RM1 each, with RM6.26 million from the share premium account of the group, and the remainder RM60.14 million from its retained earnings. The bonus issue is expected to be completed in 2QFY18.

Separately, it said net profit for 4QFY17 ended Dec 31, 2017 rose to about RM83 million from RM81.45 million in 4QFY16, largely driven by contribution from the general insurance segment, which rose 4.3% y-o-y to RM110.4 million from RM105.8 million. Revenue strengthened 2% y-o-y to RM363.49 million from RM355.56 million.

It said the 45 sen per share interim dividend, to be paid on Feb 6, is in respect of FY17, which will bring its FY17 payout to 72 sen versus FY16's 80 sen.

The group's net profit for the full-year FY17, however, fell 28% y-o-y to RM313.79 million from RM437.22 million — though revenue rose 7% y-o-y to RM1.47 billion from RM1.38 billion — mainly due to a one-off RM150.4 million gain from sale of equities recorded in 2016, said LPI Capital founder and chairman Tan Sri Dr Teh Hong Piow in a statement.

After adjusting for the said gain, the profit before tax (PBT) for FY17 would have shown a growth of 9.6%, while net profit would have risen 9.4%, Teh said. He also highlighted that the group's wholly-owned insurance arm Lonpac Insurance Bhd reported an impressive 10.5% y-o-y improvement in PBT to RM372.2 million from RM336.7 million in FY16.

"Its gross premium income also grew by a healthy 11.2% to RM1.42 billion in FY17 from RM1.28 billion in FY16, compared to the 0.3% reduction in the general insurance industry's gross premium written for the first nine months of 2017. This was attributed mainly to the continued expansion of its agency force and the contribution from its global partners. Its net earned premium income for the period under review similarly expanded by 10.8% to RM850.2 million from RM767.3 million in the previous corresponding period."

Lonpac also posted better underwriting profit in FY17, up 9.8% to RM305.8 million from RM278.5 million in FY16, on the back of a low combined ratio of 64.9%, said Teh, which crept up from 63.7%.

"As the largest property underwriter in Malaysia, Lonpac was adversely affected by the floods in Penang in November 2017, with gross claims reported at RM43.3 million. Notwithstanding, its claims ratio for the year increased only marginally by 0.2 percentage point to 38.5%," Teh shared.

倫平資本探討股票分拆

有信心應對保險業開放

倫平資本報雙喜
派息45仙再發紅股

（吉隆坡10日讯）伦平资本（LPI，8621，主要板金融）截至12月底末季净利起1.9%，达8300万令吉，宣布每股派息45仙，同时亦建议派发红股，回馈股东。

建議以每5股送1紅股

■郑鸿标

LPI Capital posts better Q4 results

• Declares second interim dividend of 45 sen per share, proposes 1-for-5 bonus issue

PETALING JAYA: LPI Capital Bhd's net profit in the fourth quarter ended Dec 31, 2017 (Q4'FY17) increased 1.9% to RM83 million, from RM81.45 million in the previous corresponding quarter, mainly contributed by profit from the general insurance segment, which rose 4.3% to RM110.4 million. Revenue was up 2.2% to RM363.5 million compared with RM355.6 million in the same period in FY16.

Underwriting profit for the quarter grew 2.3% to RM93.2 million from RM91.1 million previously on the back of 8% growth in net earned premium income.

LPI's full-year net profit dropped 28.2% to RM313.8 million against RM437.2 million in FY16, mainly due to the absence of non-recurring gains. Revenue soared 6.7% to RM1.47 billion from RM1.38 billion previously.

In view of the strong performance of the group, the group has declared a second interim dividend of 45 sen per share, which amounts to RM149.4 million.

Together with the first interim dividend of 27 sen per share amounting to RM89.6 million, which was paid in August 2017, the total dividend for FY17 of RM239 million represents 76.2% of the group's net profit attributable to shareholders.

On prospects, the group's founder and chairman Tan Sri Teh Hong Piow said the liberalisation (framework) process will continue to pose new challenges to the insurance industry.

"We are nevertheless confident that the group will be able to ride the challenges and take advantage of the opportunities presented to report another favourable performance for 2018," he said in a statement.

Separately, LPI told Bursa Malaysia that it has proposed to undertake a bonus issue on the basis of one bonus share for every five existing shares held by shareholders.

The bonus issue, which entails an issuance of up to 66.4 million new shares, will be implemented by way of capitalisation of RM6.26 million from the share premium account and the remaining RM60.14 million from the retained earnings account.

LPI's share capital will increase from RM398.24 million comprising 331.98 million shares to RM398.38 million comprising 398.38 million shares.

The exercise aims to reward the group's existing shareholders for their loyalty and continuous support and increase the group's share capital to a level which will better reflect its current scale of operations and assets employed. The bonus issue is expected to be completed in the second quarter of 2018.

末季净利微增 伦平5送1红股

吉隆坡10日讯｜伦平资本（LPI，8621，主板金融股）今天公布的2017财政年末季（12月31日结账）净利按年略增1.9%至8300万令吉；同时，该公司也建议以5送1比例，派送6640万股红股。

股价飙升56仙

2018

AT A GLANCE

CALENDAR OF SIGNIFICANT EVENTS

CORPORATE & AWARDS

26-31 MARCH

AGENCY CONVENTION 2018
Perth, Australia

27 MARCH

57TH ANNUAL GENERAL MEETING
Shangri-La Hotel, Kuala Lumpur

14-17 APRIL

AGENCY CONVENTION 2018
Xiamen, China

16-17 APRIL

JUNIOR OFFICERS' & OFFICERS' SEMINAR
Amverton Cove Golf & Island Resort,
Klang, Selangor

18-24 APRIL

MANAGERS' CONFERENCE
Taipei, Taiwan

3 MAY

LONPAC WAS CONFERRED THE BRANDLAUREATE BESTBRANDS AWARDS 2017-2018 FOR MOST VALUABLE BRAND IN GENERAL INSURANCE
The Majestic Hotel, Kuala Lumpur

2018
AT A GLANCE
CALENDAR OF SIGNIFICANT EVENTS

3-10 MAY

AGENCY CONVENTION 2018
England & Scotland

10 JULY

CLERICAL TRAINING
Lonpac's Head Office, Kuala Lumpur

11-13 JULY

AGENCY CONVENTION 2018
Bangkok, Thailand

16-18 AUGUST

SENIOR EXECUTIVES' SEMINAR
Weil Hotel, Ipoh, Perak

27-29 SEPTEMBER

ASSISTANT MANAGERS' & DEPUTY MANAGERS' SEMINAR
Grand Ion Delemen, Genting Highlands, Pahang

11-13 OCTOBER

EXECUTIVES' SEMINAR
Double Tree by Hilton, Penang

21 NOVEMBER

LPI WAS CONFERRED 2 MOST IMPROVED PLCs (MALAYSIA) AWARD AT THE 2ND ASEAN CORPORATE GOVERNANCE AWARDS CEREMONY 2018
Kuala Lumpur Convention Centre

COMMUNITY & CUSTOMER RELATIONS

3 MAY

BLOOD DONATION CAMPAIGN
Lonpac's Head Office, Kuala Lumpur

25 JULY

SOCIAL VISIT TO THE NATIONAL AUTISM SOCIETY OF MALAYSIA (NASOM)
Cheras, Kuala Lumpur

27 AUGUST

MUD BALL CLEAN UP FOR LAKE
Rimba Kiara Park, Taman Tun Dr Ismail, Kuala Lumpur

4 SEPTEMBER

LONPAC E-ASSIST CHARITY GOLF
Kota Permai Golf & Country Club, Shah Alam, Selangor

23 SEPTEMBER

LONPAC JOINTLY ORGANISED AN ESSAY WRITING COMPETITION WITH THE CHINA PRESS BHD
SJKC Pay Fong, Melaka

2018
AT A GLANCE
CALENDAR OF SIGNIFICANT EVENTS

STAFF RELATIONS

13 APRIL

JUNGLE WALK
Ayer Hitam Forest Reserve, Puchong, Selangor

11 AUGUST

LONPAC'S 56TH ANNIVERSARY DINNER
Grand Pyramid Ballroom, Sunway Convention Centre, Petaling Jaya, Selangor

22 SEPTEMBER

LONPAC "CAR-TOON TRAIL" HUNT 2018
Pulse Grande Hotel, Putrajaya

20-26 OCTOBER

SPORTS CLUB TRIP
Hokkaido, Japan

2018
AT A GLANCE
FINANCIAL CALENDAR

Financial Year 2018

ANNOUNCEMENT OF CONSOLIDATED RESULTS

26 APRIL 2018
THURSDAY
Announcement date

Unaudited results for the 1st quarter ended 31 March 2018

9 JULY 2018
MONDAY
Announcement date

Unaudited results for the 2nd quarter ended 30 June 2018

10 OCTOBER 2018
WEDNESDAY
Announcement date

Unaudited results for the 3rd quarter ended 30 September 2018

29 JANUARY 2019
TUESDAY
Announcement date

Audited results for the 4th quarter and financial year ended 31 December 2018

DIVIDENDS

9 JULY 2018
MONDAY
Notice date

24 JULY 2018
TUESDAY
Entitlement date

1 AUGUST 2018
WEDNESDAY
Interim dividend payment date

First interim single tier dividend of 26 sen per ordinary share

29 JANUARY 2019
TUESDAY
Notice date

18 FEBRUARY 2019
MONDAY
Entitlement date

27 FEBRUARY 2019
WEDNESDAY
Interim dividend payment date

Second interim single tier dividend of 42 sen per ordinary share

ANNUAL GENERAL MEETING

26 FEBRUARY 2019
TUESDAY
Notice of 58th Annual General Meeting

27 MARCH 2019
WEDNESDAY
58th Annual General Meeting

2018
AT A GLANCE
PERFORMANCE AT A GLANCE

FINANCIAL HIGHLIGHTS	GROUP 2018	GROUP 2017
OPERATING RESULTS (RM'000)		
Operating Revenue	**1,513,663**	1,470,631
Gross Written Premiums	**1,469,377**	1,421,339
Operating Profit	**401,954**	401,263
Profit Before Tax	**405,965**	403,749
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM'000)		
Total Assets	**4,240,553**	3,814,615
Total Liabilities	**2,083,768**	1,893,704
Total Equity	**2,156,785**	1,920,911
FINANCIAL RATIOS (%)		
Profitability Ratios		
Return on Equity	**14.6**	16.3
Return on Assets	**7.4**	8.2
Operating Margin	**26.6**	27.3
Net Claims Incurred	**40.9**	38.5
Productivity Ratios		
Gross Written Premiums Income per Employee (RM'000)	**1,830**	1,799
No. of Policies Issued per Employee	**2,554**	2,399

WE ARE
LPI
CORPORATE PROFILE

> "LPI Capital Bhd ("LPI"), an investment holding company listed on the Malaysian stock exchange, is primarily involved in selling and distributing of premium general insurance solutions in Malaysia, Singapore and Cambodia. Its Malaysian operations are undertaken by LPI's wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac"), which is among the industry's leaders with approximately 8.09%[1] share of the general insurance market."

ABOUT US

LPI Capital Bhd ("LPI"), an investment holding company listed on the Malaysian stock exchange, is primarily involved in selling and distributing of premium general insurance solutions in Malaysia, Singapore and Cambodia. Its Malaysian operations are undertaken by LPI's wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac"), which is among the industry's leaders with approximately 8.09%[1] share of the general insurance market. These companies collectively form the LPI Group ("LPI Group" or "the Group"). Lonpac is also responsible for managing LPI's Singapore interests, while its Cambodian business is represented by LPI's 45%-owned Campu Lonpac Insurance Plc.

LPI, previously operating as London & Pacific Insurance Company Bhd, was established on 24 May 1962 as a private limited company and registered as an approved insurer on 9 April 1963 under the Malaysian Insurance Act 1963. The Company was subsequently listed on the Second Board of the Malaysian stock exchange on 8 January 1993 before being transferred to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 17 January 1997. Lonpac took over the entirety of LPI's Malaysian insurance business through a rationalisation exercise in 1999.

In the 56 years since its establishment, the LPI Group has weathered substantial challenges including a growing number of competitors to remain a trusted and important pillar of the Malaysian insurance industry. Thanks to its prudential approach to risk, its ability to adapt to changing market conditions and maintain sustainable growth, LPI is confident that it will continue to play a significant role in the years to come.

CREATING VALUE IN THE NEW MALAYSIAN INSURANCE LANDSCAPE

The Malaysian insurance industry saw the intensification of the liberalisation framework, which is a decision undertaken by Bank Negara Malaysia ("BNM") to remove the tariff structure for the Fire and Motor classes of general insurance in phases. With the new framework in place, individual insurers and takaful operators are responsible for setting

[1] *ISM Statistical Bulletin for the period January – September 2018*

WE ARE LPI

CORPORATE PROFILE

the prices for their Fire and Motor products based on their own financial models. The new regime increasingly enhances competition and drives fairer pricing, greater innovation and greater sustainability for both customers and insurers over the long-term.

Lonpac has taken all necessary steps to prepare for liberalisation, and has introduced innovations in both the front- and back-end of its operations to take advantage of the new opportunities presented by liberalisation. It has also stepped up the delivery of new de-tariffed products. These strategies aim to not only ensure that Lonpac remains relevant and sustainable, but are aimed at delivering greater value to its stakeholders including customers, the community and shareholders.

The Malaysian insurance market is expected to remain competitive in these early days of liberalisation as players are clamouring to increase market share in the new de-tariffed environment. Lonpac refuses to be drawn into a pricing war with its competitors and stands by its philosophy of prudential underwriting, sustainable growth and delivering superior customer experience. These focal points have helped guide its operations despite uncertainties arising from the new regulatory regime as well as persisting volatility in both the local and global financial markets.

The Group's key value propositions for its stakeholders can be summarised in the following four points:

Providing a diverse product and service range

Maintaining an extensive distribution network

Ensuring superior delivery standards

Maintaining a strong financial rating

PROVIDING A DIVERSE PRODUCT AND SERVICE RANGE

LPI Group is committed to providing comprehensive coverage to all our customers from every walk of life. The Group's product and service range also takes into account the changing operating environment in its markets such as the liberalisation of the Malaysian general insurance market. In delivering on this commitment, the Group has innovated and expanded its insurance offerings to cater to changing demographics and the evolving needs of its customer base.

One area that has become increasingly important due to changing customer demographics is the digital space. Online transactions have become the medium of choice for younger, more technologically savvy customers who are comfortable with executing their transactions through technological means. The LPI Group is aware of this growing need and has embarked on a digitisation programme to ensure that all systems and policies meet present needs and are future-proof for further developments.

LPI Group prioritises certain classes of business as growth nodes but nevertheless maintains a balanced and prudential approach in developing all classes of business. As such, customers can rest assured that they will continue to receive adequate protection in all key areas. At present, the Group offers insurance solutions in the following areas:

- Employee Benefits
- Health Insurance
- Liability Insurance
- Motor Insurance
- Marine Insurance
- Pecuniary Insurance
- Personal Accident Insurance
- Project Insurance
- Property Insurance
- Trade Credit Insurance

The Group is committed to further developing expertise in all business areas and continuously reaches out to both local and foreign partners and reinsurers to ensure that customers receive the best coverage and competitive pricing. Additionally, the Group also offers its customers a number of complimentary support services to provide additional assistance in times of need. Services offered through Lonpac include:

- **Lonpac E-Assist:**
  A 24-hour emergency car assistance service that facilitates minor roadside repairs, emergency towing services, car rental services and arrangements for hotel accommodation to Lonpac's Private Car Secure and Comprehensive Private Car insurance policyholders.

- **Lonpac Home-Assist:**
  A referral assistance programme providing home-related services to Lonpac's Home Secure Plus, Mortgage Home Secure Plus, Houseowner and Householder policyholders.

- **Lonpac Travel Assist:**
  A medical and emergency assistance programme provided to the persons covered under Lonpac's TravelNet, BizTravel and Easy Travel policies.

Further bolstering business operations is a robust Customer Relationship Management ("CRM") system. The CRM system not only functions as the first line of support for customers but also helps customer identify gaps in their policy coverage or in areas where they can be better served. At the same time, LPI Group is committed to the safety and protection of customer data and confidential information, and has policies and safeguards in place to ensure that all customer data is maintained in a secure environment and that only persons with proper authorisation have access.

MAINTAINING AN EXTENSIVE DISTRIBUTION NETWORK

The Group maintains an extensive product distribution network that reaches out to all segments of society and customer groups within the markets where it operates. At the core of the network is the Group's substantial cohort of agents, which is a key contributor to product sales. Agents are trained and incentivised to create lasting and meaningful relationships with customers in line with the Group's philosophy of prioritising customer satisfaction. Through this agency force, customers are kept abreast of new product offerings while in-house product developers are apprised of changing customer needs.

In-house marketing team is also constantly at work analysing market and demographic data to innovate new products and identify new distribution channels to further grow the business. The team also liaises with customers to obtain feedback and respond to their needs to improve operations and better serve their insurance needs. The marketing team was developed internally under a rigorous talent development programme to ensure that members meet both internal and external operating benchmarks.

At the heart of the Group's distribution network is its information technology ("IT") system, which is responsible for optimising processes and identifying new business opportunities through data analytics. The Group regularly upgrades its IT infrastructure and systems to ensure peak efficiency while maintaining a secure data environment. The increasing use of IT has lowered the Group's operating ratio thereby improving profitability.

The Group's operating reach presently comprises 21 Lonpac branches in Malaysia and one in Singapore. It also has a presence in Cambodia through its 45%-owned entity, Campu Lonpac Insurance Plc.

ENSURING SUPERIOR DELIVERY STANDARDS

The Group's track record of excellent customer service is underpinned by a corporate culture that always puts customer needs ahead of other considerations. This has been a hallmark of the Group since its start in 1962, and staff have been likewise trained to maintain the highest levels of professionalism and conduct in line with this mission goal. Staff are provided the necessary training to not only reach their full potential but also to ensure that the Group maintains its spotless customer track record.

In 2004, Lonpac established a Customer Service Centre to manage customer queries and concerns. Extensive information is available online through its web portal, which also functions as a self-service platform enabling customers to manage their policies, submit feedback and make enquiries. The web platform is regularly updated with information on policies and product offerings, and also provides corporate information to investors and shareholders as part of the Group's commitment to transparency and good corporate governance.

WE ARE
LPI
CORPORATE PROFILE

MAINTAINING A STRONG FINANCIAL RATING

Global insurance rating agency A.M. Best Asia-Pacific Limited ("A.M. Best") upgraded Lonpac's financial strength rating to "A" and its issuer credit rating to "a" from "A-" and "a-" respectively on 26 September 2018. The ratings upgrade reflects a number of strengths including:

A strong balance sheet

Consistently robust operating performance

Healthy fundamentals going forward

In particular, A.M. Best noted that Lonpac's performance remained strong despite the implementation of the second phase of liberalisation, and that its operating ratio of about 60% from between 2013 and 2017 was superior to peers. Although the ratings agency noted that liberalisation was expected to erode profitability, it remained confident that Lonpac would remain fundamentally robust going forward.

AWARDS AND ACCOLADES

LPI and Lonpac have accumulated a number of awards over the years in recognition of its commitment to service excellence, its performance track record and its contribution to industry development. For this report, only the awards received in 2018 will be noted here. A more detailed list of all our awards is available on our website.

The BrandLaureate BestBrands Awards 2017-2018 for Most Valuable Brand in General Insurance

Lonpac received The BrandLaureate BestBrands Awards 2017-2018 for Most Valuable Brand in General Insurance in recognition of its strong brand leadership and performance in the general insurance industry, and its ability to deliver on brand promises. Presented by the Asia Pacific Brands Foundation, the award also recognises Lonpac as a market leader with an international footprint. This was the 8th consecutive year in which Lonpac was conferred the BrandLaureate award.

2 Most Improved PLCs (Malaysia) Award

On 21 November 2018, LPI was selected as one of two winners of the Most Improved PLCs (Malaysia) Award at the 2nd ASEAN Corporate Governance Awards Ceremony 2018. The awards were presented to the two public listed companies ("PLCs") from each participating ASEAN country in recognition of their achievements in corporate governance best practices based on the ASEAN CG Scorecard assessment. The award is a testament to the strength of LPI's corporate governance track record.

ENHANCING SUSTAINABILITY REPORTING AND DEVELOPMENT

LPI's sustainability activities were published in its first sustainability report in line with Bursa Securities regulations in 2016. Over the last two years, senior management and staff of the Group have worked tirelessly to further enhance its report quality based on feedback received from its regulators as well as other stakeholders. In response to these comments, the LPI Sustainability Committee has enlarged the scope of its sustainability report to include the activities of its Singapore operation, and further enhanced its materiality assessment process to include feedback from a wider range of stakeholders. These have been included in the 2018 edition of the Sustainability Report which can be found on pages 52 to 81 of this Annual Report.

Underpinning the Group's commitment to sustainability commitment is its strong culture of governance, which extends from the highest levels at the Board and Management to all line employees. The Group's priority remains steadfastly locked on becoming a positive creator of value for all stakeholders in every layer of society. This commitment is specified in greater detail within the pages of the Sustainability Report.

LPI GROUP'S COMMITMENT

The Group is committed to providing clients with competitive and innovative products and services to meet their insurance needs. It is also committed to investing in human capital development to enhance core competencies and business productivity. The Group endeavours to continue delivering healthy returns and enhanced long-term value to shareholders while meeting our obligations to help boost communities and drive the progress of the nation.

TEN-YEAR
GROUP FINANCIAL SUMMARY

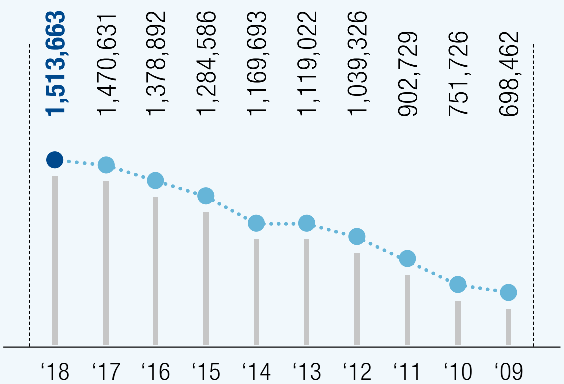
	Year Ended 31 December									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
OPERATING RESULTS (RM'000)										
Operating Revenue	**1,513,663**	1,470,631	1,378,892	1,284,586	1,169,693	1,119,022	1,039,326	902,729	751,726	698,462
Gross Written Premiums	**1,469,377**	1,421,339	1,278,339	1,250,799	1,149,162	1,105,678	1,033,860	907,912	755,931	675,246
Operating Profit	**401,954**	401,263	516,502	391,100	342,032	257,277	214,685	201,147	183,170	160,407
Profit Before Tax	**405,965**	403,749	518,925 [N1]	393,066	341,949	256,801	214,036	200,053	181,307	161,335
Profit Attributable To Owners Of The Company	**314,049**	313,794	437,223	320,989	283,016	201,440	166,925	154,494	137,908	126,088
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM'000)										
Total Assets	**4,240,553**	3,814,615	3,656,113	3,625,348	3,377,206	3,202,331	2,749,262	2,405,215	2,246,462	1,894,506
Total Liabilities	**2,083,768**	1,893,704	1,818,797	1,886,747	1,724,336	1,595,788	1,376,618	1,223,631	1,086,220	993,833
Share Capital	**398,383**	338,244	331,986	331,986	221,324	221,324	221,324	221,324	221,324	138,723
Total Equity	**2,156,785**	1,920,911	1,837,316	1,738,601	1,652,870	1,606,543	1,372,644	1,181,584	1,160,242	900,673
PRODUCTIVITY RATIO										
No. of Employees	**803**	790	772	738	705	687	667	611	562	543
Gross Written Premiums Income per Employee (RM'000)	**1,830**	1,799	1,656	1,695	1,630	1,609	1,550	1,486	1,345	1,244
No. of Policies Issued per Employee	**2,554**	2,399	2,315	2,616	2,331	2,352	2,296	2,304	2,134	1,912
No. of Claims Settled per Claims Staff	**1,462**	1,395	1,340	1,197	1,176	1,170	1,127	1,082	1,054	1,036

N1 - The Group profit before tax for 2016 would be RM368.5 million if it was adjusted to exclude the one-off realised gains of RM150.4 million.

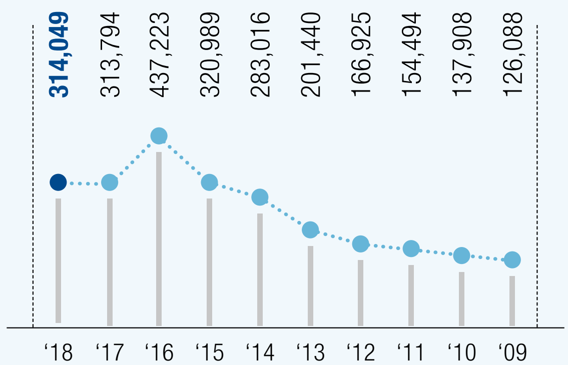
The figures for 2011 to 2018 presented above are based on MFRS whereas 2010 and prior are based on FRS.

TEN-YEAR
GROUP FINANCIAL SUMMARY

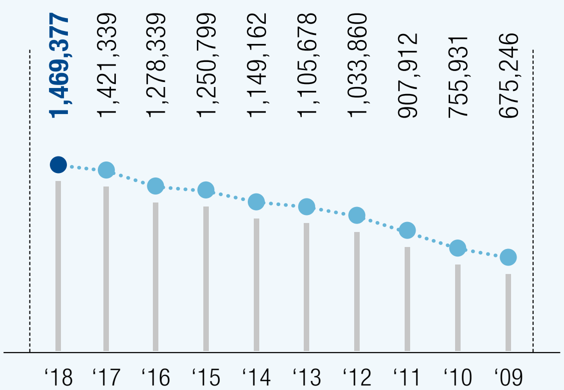
OPERATING REVENUE
(RM'000)



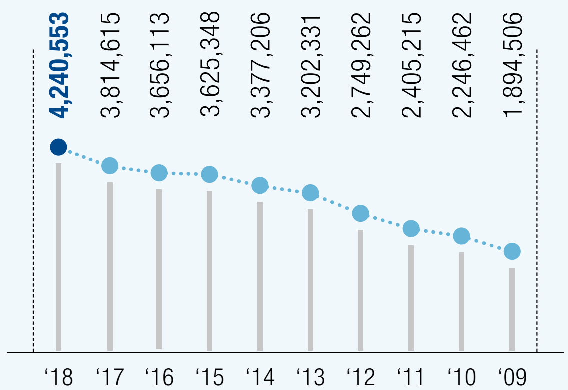
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



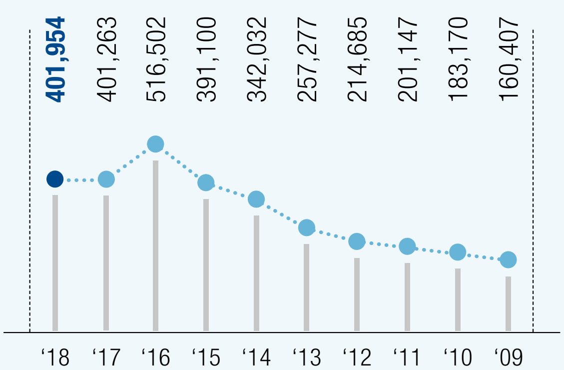
GROSS WRITTEN PREMIUMS
(RM'000)



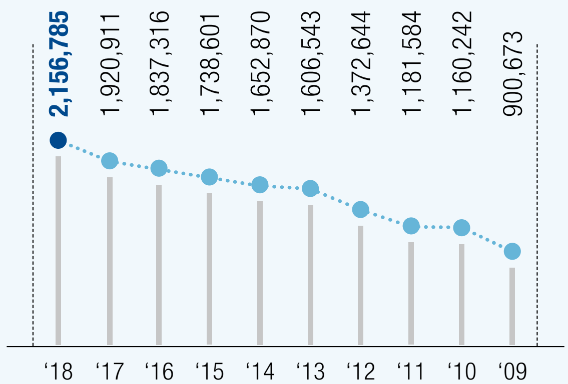
TOTAL ASSETS
(RM'000)



OPERATING PROFIT
(RM'000)



TOTAL EQUITY
(RM'000)



Note: The figures for 2011 to 2018 presented above are based on MFRS whereas 2010 and prior are based on FRS.

TEN-YEAR
GROUP FINANCIAL SUMMARY

	Year Ended 31 December									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
SHARE INFORMATION AND VALUATION										
Share Information										
Per share (sen)										
Basic Earnings	**78.8**	78.8 N2	109.7 N2 N3	80.6 N2	71.0 N2	50.6 N2	41.9 N2	38.8 N2	34.6 N2	31.6 N2
Net Dividend	**68.00**	72.00	80.00	70.00	75.00	70.00	65.00	75.00	55.00	67.50
Net Tangible Assets	**541.38**	578.61	553.43	523.70	746.81	729.22	623.00	536.33	526.74	654.23
Share Price as at 31 December (RM)	**15.74**	18.16	16.38	16.08	18.06	17.44	14.54	13.52	13.18	13.70
Market Capitalisation (RM'000)	**6,270,548**	6,028,866	5,437,931	5,338,335	3,997,111	3,859,891	3,218,051	2,992,300	2,917,050	1,900,505
Share Valuation										
Net Dividend Yield (%)	**3.8**	4.5	5.6	4.1	5.0	5.1	4.9	7.1	7.7	6.2
Dividend Payout Ratio (%)	**86.3**	76.2	60.7	72.4	58.6	76.6	85.8	107.0	86.2	114.8
Price to Earnings Multiple (times)	**20.0**	19.2	12.4	16.6	21.1	19.1	19.2	19.3	20.7	23.3
Price to Book Multiple (times)	**2.9**	3.1	3.0	3.1	2.4	2.4	2.3	2.5	2.5	2.1
FINANCIAL RATIOS (%)										
Profitability Ratios										
Return on Equity ("ROE")	**14.6**	16.3	23.8	18.5	17.1	12.5	12.2	13.1	11.9	14.0
Return on Assets	**7.4**	8.2	12.0	8.9	8.4	6.3	6.1	6.4	6.1	6.7
Operating Margin	**26.6**	27.3	37.5	30.4	29.2	23.0	20.7	22.3	24.4	23.0
Net Claims Incurred	**40.9**	38.5	38.3	41.0	44.0	45.5	47.5	48.9	47.7	47.1

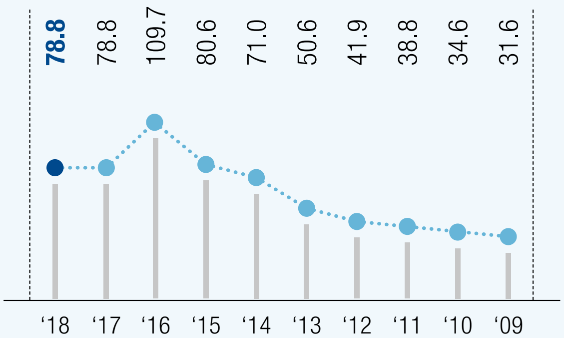
N2 - The Basic Earnings Per Ordinary Share from 2009 - 2017 were restated to take into effects of bonus issues during the year 2015 and 2018.

N3 - The Group's earnings per share for 2016 would be 72.0 sen if it was adjusted to exclude the one-off realised gains of RM150.4 million arising from the disposal of long term equity investment.

The figures for 2011 to 2018 presented above are based on MFRS whereas 2010 and prior are based on FRS.

TEN-YEAR
GROUP FINANCIAL SUMMARY

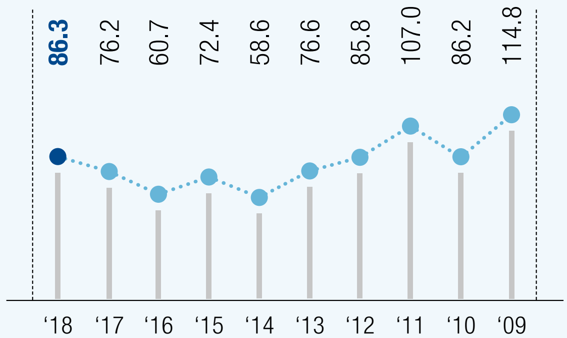
BASIC EARNINGS PER SHARE
(SEN)



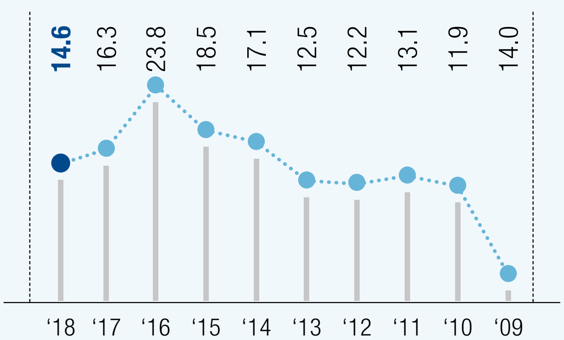
The Basic Earnings Per Ordinary Share from 2009 - 2017 were restated to take into effects of bonus issues during the year 2015 and 2018.

The figures for 2011 to 2018 presented above are based on MFRS whereas 2010 and prior are based on FRS.

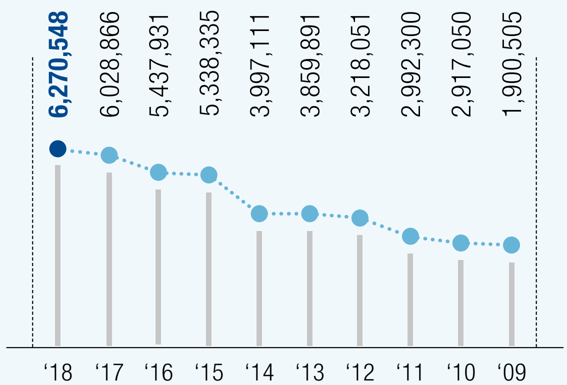
DIVIDEND PAYOUT RATIO
(%)



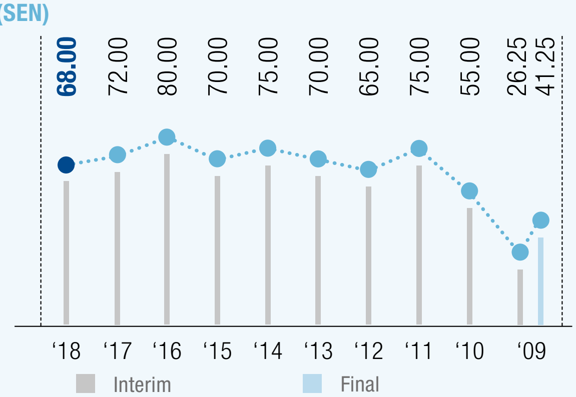
RETURN ON EQUITY
(%)



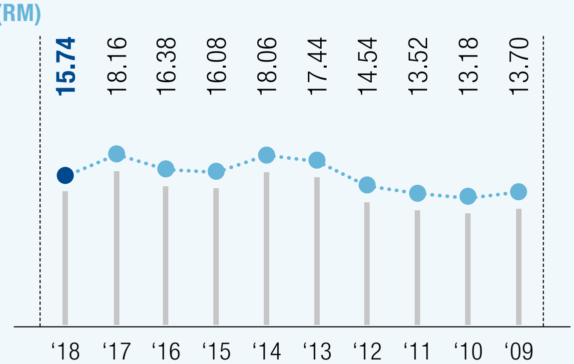
MARKET CAPITALISATION
(RM'000)



NET DIVIDEND PER SHARE
(SEN)

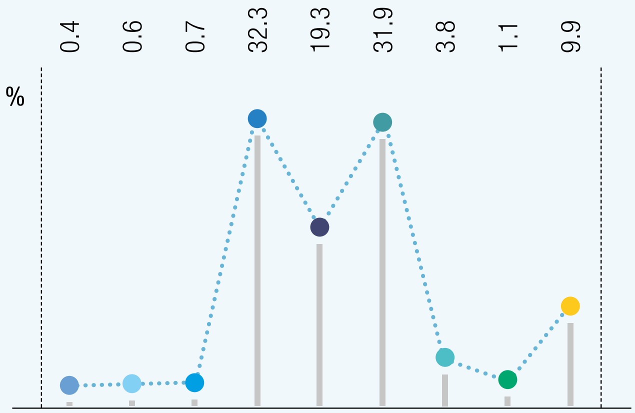


SHARE PRICE
(RM)

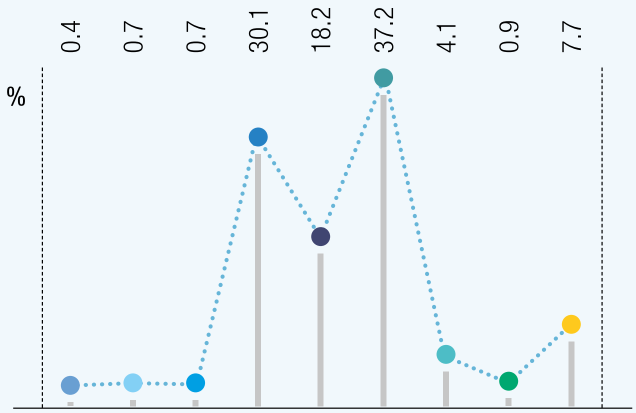


SIMPLIFIED GROUP STATEMENT OF
FINANCIAL POSITION

ASSETS
2018

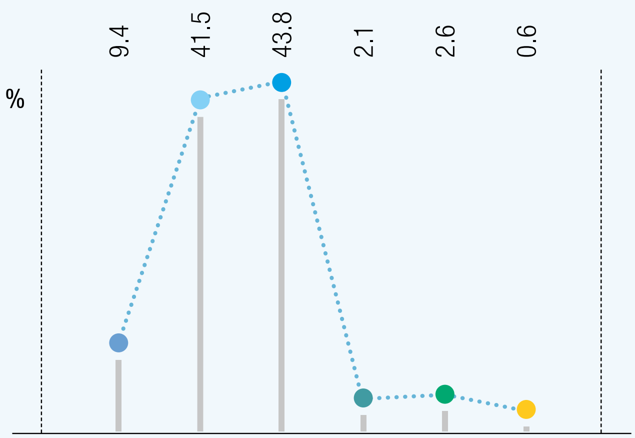


ASSETS
2017

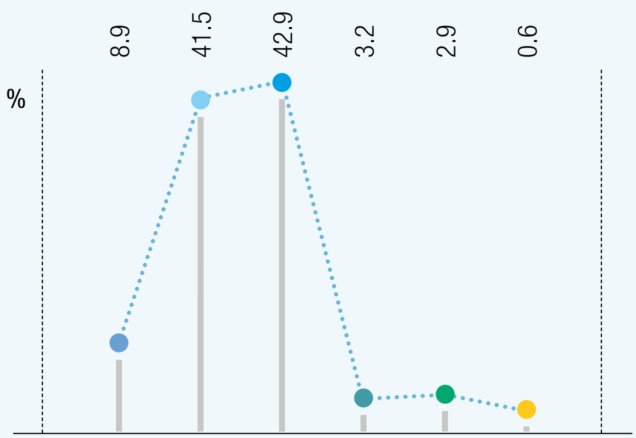


- Plant and equipment
- Investment properties
- Investment in an associated company
- Other investments
- Reinsurance assets
- Loans and receivables, excluding insurance receivables
- Insurance receivables
- Deferred acquisition costs
- Cash and cash equivalents

EQUITY & LIABILITIES
2018



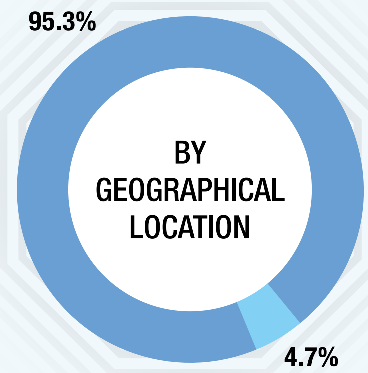
EQUITY & LIABILITIES
2017

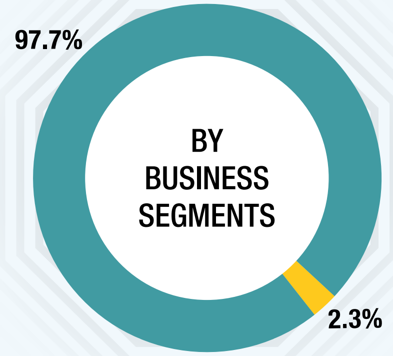


- Share capital
- Reserves
- Insurance contract liabilities
- Insurance payables
- Deferred tax liabilities, borrowings and other payables
- Tax payables

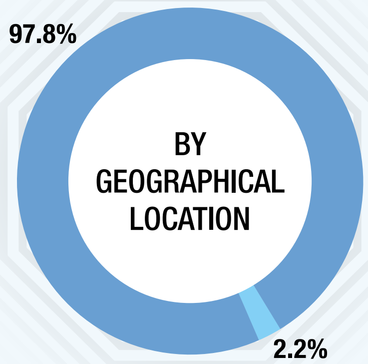
SEGMENTAL
ANALYSIS
For the year ended 31 December 2018

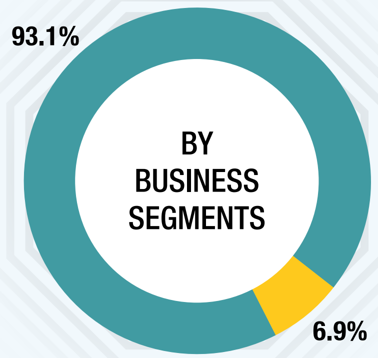
OPERATING REVENUE



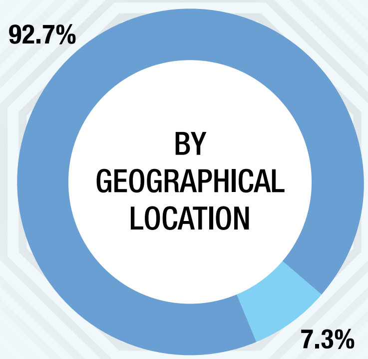


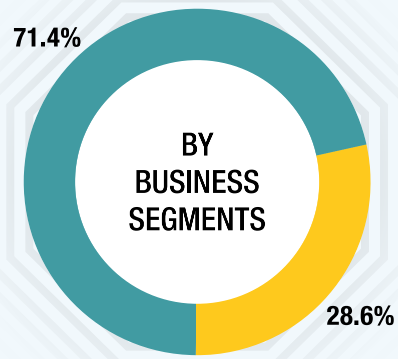
PROFIT BEFORE TAXATION





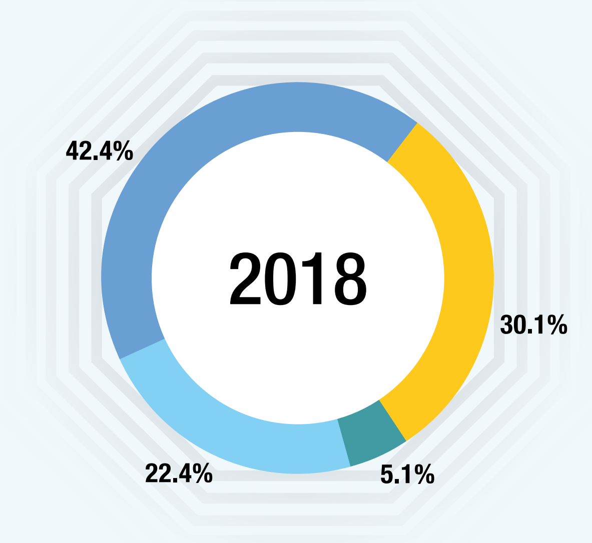
TOTAL ASSETS

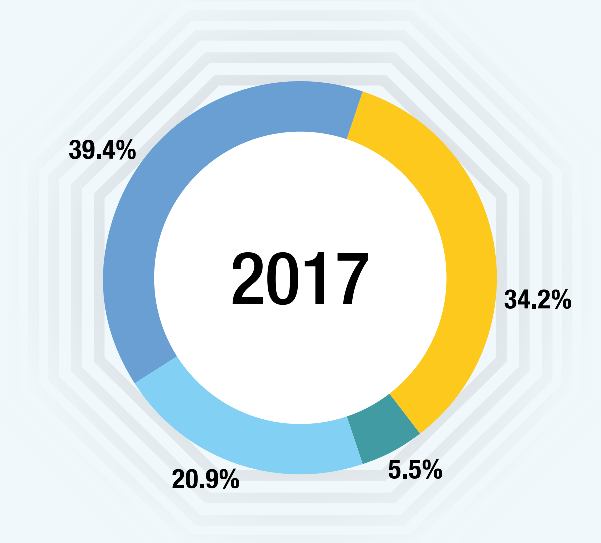




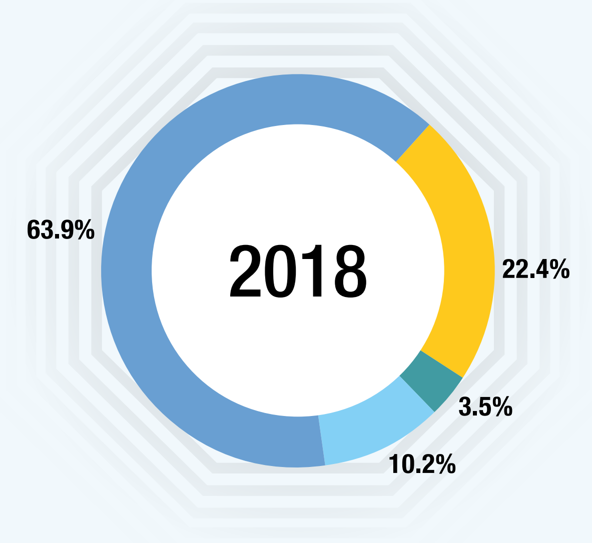
Within Malaysia | Outside Malaysia | General Insurance | Investment Holding

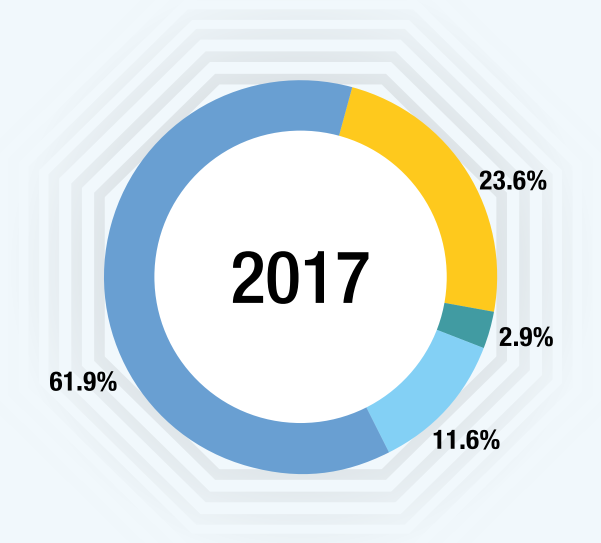
GROSS WRITTEN PREMIUMS BY CLASS





UNDERWRITING SURPLUS BEFORE MANAGEMENT EXPENSES BY CLASS





Fire Motor Marine, Aviation & Transit Miscellaneous

GROUP
QUARTERLY PERFORMANCE

	2018				
RM'000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2018
Financial Performance					
Operating Revenue	**380,998**	**353,048**	**390,592**	**389,025**	**1,513,663**
Operating Profit	**90,669**	**86,310**	**114,828**	**110,147**	**401,954**
Profit Before Tax	**91,578**	**86,877**	**116,635**	**110,875**	**405,965**
Profit Attributable to Owners of the Company	**72,500**	**65,738**	**91,808**	**84,003**	**314,049**
Earnings Per Share (sen)*	**18.20**	**16.50**	**23.04**	**21.09**	**78.83**
Net Dividends Per Share (sen)	**-**	**26.00**	**-**	**42.00**	**68.00**

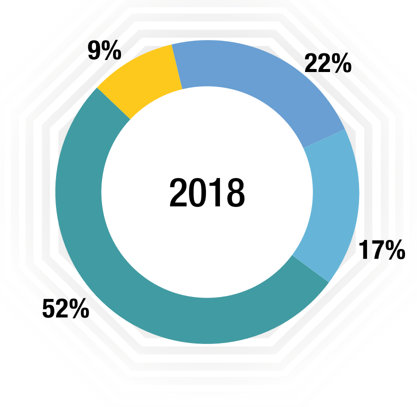
	2017				
RM'000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2017
Financial Performance					
Operating Revenue	347,640	352,710	406,788	363,493	1,470,631
Operating Profit	87,776	88,701	114,541	110,245	401,263
Profit Before Tax	88,794	89,216	115,034	110,705	403,749
Profit Attributable to Owners of the Company	70,563	68,064	92,170	82,997	313,794
Earnings Per Share (sen)*	17.71	17.09	23.14	20.83	78.77
Net Dividends Per Share (sen)	-	27.00	-	45.00	72.00

* *Quarterly earnings per share is based on the weighted average number of ordinary shares in issue during the quarter whereas the year-to-date earnings per ordinary share is based on the weighted average number of ordinary shares in issue during the year.*

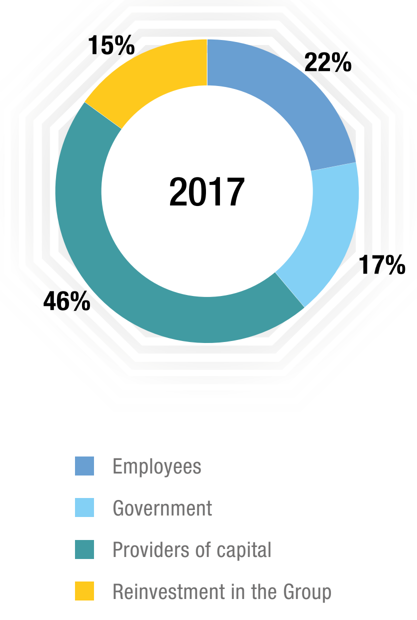
STATEMENT OF
VALUE ADDED

Value added is a measure of wealth created by the Group through various business activities. The Statement of Value Added shows the total wealth created and how it was distributed to stakeholders, including the Government, as well as reinvestment for the replacement of assets and further expansion of the business of the Group.

Value Added	2018 RM'000	2017 RM'000
Net Earned Premiums	**930,834**	850,154
Other Income	**210,720**	222,350
Net Claims Incurred	**(380,968)**	(327,711)
Other Expenses Excluding Staff Costs and Depreciation	**(237,159)**	(228,558)
Finance Cost	**(4)**	(3)
Share of Profit After Tax of Equity Accounted Associated Company	**4,015**	2,489
Value added available for distribution	**527,438**	518,721



Distribution of Value Added	2018 RM'000	2017 RM'000
To Employees:		
Staff Costs	**118,188**	111,787
To the Government:		
Tax Expense	**91,916**	89,955
To Providers of Capital:		
Dividends Paid to Shareholders	**270,900**	239,030
To Reinvest in the Group:		
Depreciation	**3,285**	3,185
Retained Earnings	**43,149**	74,764
Total distributed	**527,438**	518,721



CHAIRMAN'S STATEMENT

"I am pleased to report that LPI Capital Bhd ("LPI") and its wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac") performed relatively well for the financial year ended 31 December 2018 despite extremely challenging operating conditions. Although our headline numbers have moderated as compared against the previous year, the industry average has tumbled much lower owing to several key developments."

PROFIT BEFORE TAX
RM
406.0 million

REVENUE
RM
1.5 billion

TO OUR VALUED SHAREHOLDERS,

I am pleased to report that LPI Capital Bhd ("LPI") and its wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac") performed relatively well for the financial year ended 31 December 2018 despite extremely challenging operating conditions. Although our headline numbers have moderated as compared against the previous year, the industry average has tumbled much lower owing to several key developments. Within this context, the performance of the LPI Group is deserving of plaudits, and marks the sustainability of our strategies going forward.

To elaborate: 2018 was marked by two momentous developments, the first of which was the change of the Malaysian government. The second was the full implementation of Bank Negara Malaysia's liberalisation measures for the full fiscal year. Both developments have seen the emergence of new challenges that test our ability to remain relevant and sustainable, and I am proud to announce that we have managed to do so admirably.

Some of the challenges we faced in the past year included:

i. Increased competition from other insurance players for market share

ii. Greater pressure on profit margins owing to competitive pricing

iii. Increased operational costs owing to inflation, particularly in our medical portfolio

iv. Scale down of large infrastructure projects as the new government reviewed its development policy

> "The ramifications of this difficult operating environment were evident in the average growth of gross written premiums across the industry which expanded by a tepid 1.5%[1] between January and September 2018."

The ramifications of this difficult operating environment were evident in the average growth of gross written premiums across the industry which expanded by a tepid 1.5%[1] between January and September 2018. Against this benchmark, Lonpac's gross written premiums growth of 3.4% was a remarkable achievement and a positive indication of the efficacy of our strategies.

In comparing our performance against our previous year's results, we find that gross written premiums have grown 3.4%, while the claims incurred ratio increased to 40.9% from 38.5%. Meanwhile, profit before tax ("PBT") grew 0.6% to RM406.0 million from RM403.7 million a year ago, and our combined ratio was reported at a highly laudable 67.4% as compared against the industry's 91.4%[1].

The Board of LPI has declared a second interim single tier dividend of 42 sen for the financial year ended 31 December 2018. If approved, our dividend payout for 2018 will total 68 sen per share.

OUR STRATEGY AND PROSPECTS

The economic environment both in Malaysia and around the world took a turn for the worse in 2018. Locally, poorer sentiments were driven by concerns about the country's fiscal stability, the uncertainty brought about by changes in government policy and continuing turmoil in global trade relationships. The Ringgit fell against most major currencies during the year due mainly to lower global oil prices and in anticipation of a US Federal Reserve decision to hike interest rates at the end of the year.

Meanwhile, fears of an intensifying trade war between the US and China as well as a weakening China economy sparked fund outflows from most Asian markets in the middle of the year. According to research house MIDF Research, total net foreign fund outflow from the Malaysian stock market totalled RM9.9 billion as at 12 November 2018.

Analysts also turned somewhat bearish on the fundamentals of the Malaysian economy after GDP expanded more slowly than expected. Sluggish global demand had a negative impact on the Malaysian economy, while moderating investment growth in the country is likely to affect consumer sentiment, the Malaysian Institute of Economic Research wrote in its economic outlook published on 16 October 2018. Meanwhile, inflation rose at a lower than expected rate, which further points to a slowdown in economic activity in the country.

[1] *ISM Statistical Bulletin for the period January – September 2018.*

CHAIRMAN'S STATEMENT

As a Group, we have always cautioned our stakeholders that we are operating in a period of prolonged volatility where prospects and operating conditions may improve or deteriorate at the drop of a hat. After several years of better-than-expected operating conditions, we have seen the balance swing this past year. Fortunately, the Group's adherence to our long-standing policy of prudential risk management has helped us weather the changing operating conditions, and this is evident when comparing our performance against the industry average.

Indeed, not only have we managed to defend our market leadership in our key business areas, but we have also managed to develop new innovations that will stand us in good stead in the coming years. Lonpac's increased focus on product development and digital transformation is in line with our philosophy of putting customers first as we work to deliver better coverage for our customers at a lower price.

We remain committed to our policy of prudential and organic growth despite the growing number of competitors in the marketplace. Nevertheless, in adjusting to the new operating environment, we have increased our collaboration with our partners to establish new channels of distribution and are starting to take advantage of mobile platforms to cater to the new generation of digitally savvy customers. We are confident that these strategies, together with the innovations of our product development team, will be sufficient to help us create value for our stakeholders and that we will remain sustainable over the long term.

"We have also managed to develop new innovations that will stand us in good stead in the coming years. Lonpac's increased focus on product development and digital transformation is in line with our philosophy of putting customers first as we work to deliver better coverage for our customers at a lower price."

OUR DIGITAL TRANSFORMATION

Lonpac's digital transformation continues apace and we will be unveiling some of our new digital innovations in early 2019. These include a thoroughly refreshed web presence that has been designed for optimised user experience, and that will also boast greater functional capabilities. The new web portal will enhance the user's ability to conduct transactions online, including purchasing new policies for selected classes of business.

We will also be rolling out a mobile app that will give our customers greater control over their insurance coverage and provide them with access to our complimentary assistance services such as our E-Assist programme, thereby making it easier for them to obtain assistance during their times of need.

The transformation of Lonpac into a digital company is not a decision that was made lightly. It is instead a response to changing demographics, which have brought along with them changing customer needs. We find that customers are increasingly demanding that they be given the digital tools to manage their own financial portfolios, and our digital strategy is one way by which we are looking to meet that need.

The use of technology is only expected to further intensify with the acceleration of financial technology ("fintech") and insurance technology ("insuretech") tools such as the "Internet of Things". Going digital also has positive benefits for the Company, as we foresee that this investment will substantially lower our costs and help us improve operational efficiencies. Nevertheless, we remain sensitive to the new risks that digital adoption may pose and have taken measures to ensure that we are protected from new threats such as data piracy and the encroachment into our customers' privacy.

ENSURING SUSTAINABLE DEVELOPMENT

The LPI Group has always placed sustainability as a key priority and taken the appropriate measures to ensure that we continuously create stakeholder value whatever the operating environment. This was made clear in 2018 where LPI stood among the few insurers in Malaysia that managed to surpass industry averages in our performance and in rewarding our shareholders.

To formalise our sustainability programme, we published our first Sustainability Report in 2016 together with our annual report for the year.

"We continue to enhance our sustainability framework by further expanding our stakeholder consultation and by reassessing our materiality matters. We now also have more data available for benchmarking purposes, which will also help us identify areas that need further improvement."

Our sustainability programme is a robust one that sees the participation of key personnel including the Chief Executive Officers of LPI and Lonpac in its Sustainability Committee. Through our robust sustainability programme, we work independently and together with community development partners to create and deliver value to our stakeholders, be they our customers, our shareholders, our staff or the communities in which we operate.

In the two years since we published our first sustainability report, we have received feedback and advice from our regulators and stakeholders, and have worked hard to improve our sustainability reporting in line with their suggestions. To that end, we are preparing to publish our first Integrated Report guided by the <IR> Framework in 2020.

In the meantime, we continue to enhance our sustainability framework by further expanding our stakeholder consultation and by reassessing our materiality matters. We now also have more data available for benchmarking purposes, which will also help us identify areas that need further improvement. Finally, in response to a suggestion from our regulator, we have included the sustainability activities of our Singapore branch in our report this year, to provide a more comprehensive account of our sustainability activities.

The full details of our sustainability activities are documented in our Sustainability Report 2018, which can be found on pages 52 to 81 of this report.

ACKNOWLEDGEMENTS

On behalf of LPI's Board of Directors, I would like to express our gratitude to the Management and staff of LPI Group for their perseverance during a very challenging year. Your hard work and adherence to our Group's corporate vision have helped the Company achieve commendable results in difficult operating conditions and we applaud your continued loyalty to our cause. I hope that you will continue to strive to your utmost in the year to come.

A special thanks to our customers and shareholders who have stood by us through thick and thin. We promise that we will always put your interests first in all that we do, and we hope that you will continue to grant us the privilege of creating value for you - in your investment in us and by trusting us to cover your insurance needs. We would also like to express our gratitude to our regulators and governing authorities for the support and advice given to us during the year, and we hope to continue engaging in constructive discussion regarding the continued development of the insurance industry.

Last but not least, I would like to express my personal thanks to my fellow Board members for their advice and contributions in steering the Company. We would not have performed as remarkably as we did without your efforts, and I look forward to another productive year together with all of you on the Board.

Tan Sri Dato' Sri Dr. Teh Hong Piow
Non-Independent Non-Executive Chairman

MANAGEMENT
DISCUSSION & ANALYSIS

Group Business and **OPERATIONS**

LPI AT A GLANCE

MARKET CAPITALISATION

RM **6.3**bil
as at 31 December 2018

KEY BUSINESS ACTIVITY

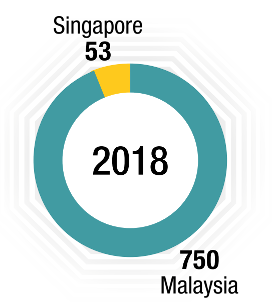
Sale of general insurance products

MARKET PRESENCE

Malaysia, Singapore and Cambodia

TOTAL NUMBER OF EMPLOYEES:

803



FINANCIAL HIGHLIGHTS (FY2018)

GROSS PREMIUM INCOME +3.4% TO
RM **1.5**bil

PROFIT BEFORE TAX +0.6% TO
RM **406.0**mil

TOTAL ASSETS +11.2% TO
RM **4.2**bil

GROUP BUSINESS AND OPERATIONS

LPI Capital Bhd ("LPI") is an investment holding company primarily involved in the sale of insurance products. Its wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac") is a leading general insurance company in Malaysia providing personal, project and operational coverage for both individuals and commercial entities.

LPI, formerly operating as London & Pacific Insurance Company Bhd, was incorporated on 24 May 1962 and registered as an approved insurer on 9 April 1963 under the Malaysian Insurance Act 1963. It was subsequently publicly listed on the Second Board of the Malaysian stock exchange on 8 January 1993 before being transferred to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 17 January 1997.

LPI's insurance operations in Malaysia were transferred to Lonpac on 1 May 1999 through a rationalisation scheme. Lonpac also conducts insurance operations in Singapore where it has one branch. In addition to Malaysia and Singapore, LPI carries out insurance operations in Cambodia through its 45%-owned Campu Lonpac Insurance Plc, which is jointly owned with Cambodian Public Bank Plc and Public Bank Berhad ("PBB").

Lonpac presently has an 8.09%[1] share of the Malaysian general insurance market as at the end of September 2018.

While LPI Group maintains a presence in both Cambodia and Singapore, its operations in both countries remain small owing to the competitive nature of the insurance industry in Singapore and the relative infancy of the industry in Cambodia.

[1] *ISM Statistical Bulletin for the period January – September 2018.*

BUSINESS VISION

LPI envisions itself as a positive creator of value for all its stakeholders, including its customers, shareholders and the insurance industry taken as a whole. A leading provider of general insurance products in Malaysia through its wholly-owned subsidiary Lonpac, LPI has helped shape the Malaysian insurance market over the last 56 years as a trusted provider of insurance products and as an integral voice helping steer developments in the industry. It is also an active contributor to community development, playing an important role in raising charitable funds and supporting education initiatives.

In fulfilling its obligations to its shareholders to maximise the creation of shareholder value, the Group adopts a business approach that prioritises organic growth, prudential risk management and customer satisfaction. These are the Group's core philosophies that have unlocked profitability and growth in the past and will continue to be the cornerstones of the Group's business approach. The Malaysian insurance industry remains as LPI's most important market and will continue to be so in the foreseeable future.

In Singapore, the Group's insurance activities showed positive developments in 2018 following the creation of a new team in the Singapore branch. With claims remaining stable in the country and premiums growing over the past year, our Singapore operations are showing positive signs of growth. We expect our Singapore operations to perform even better in 2019 with the new business strategy in place.

In Cambodia, our business continues to grow albeit at a slower pace owing to the relative newness of the insurance market. Nevertheless, we remain confident that Cambodia will mature into an important market for the region.

ADAPTING TO A LIBERALISED MALAYSIAN MARKET

Lonpac's role as a trusted insurance provider has become increasingly important now that the Malaysian general insurance market is undergoing liberalisation. With liberalisation comes new opportunities and challenges, as well as new obligations and risks, which in turn require adaptation on our part if we are to remain relevant and sustainable to our stakeholders.

One of the key differences brought about by the implementation of the Phased Liberalisation Framework is the greater responsibility placed on insurers to price premiums for the Motor and Fire classes of business. In moving away from a tariff structure, the new liberalised framework gives insurers greater autonomy to price risk as they see fit, which in turn makes them more competitive and accountable to their stakeholders.

In transitioning to the new regime, Lonpac implemented a number of policy changes including establishing a Health & Accident Department focused on writing health and personal accident policies. It also enhanced its actuarial resources through the formation of an Actuarial Department and is actively upgrading its Information Technology ("IT") systems. These initiatives have started making positive contributions to Lonpac's gross written premiums growth and are expected to continue to do so moving forward.

To support the development of new innovative products, Lonpac expanded its Product Development Committee by introducing committees focused on specific business classes in 2018. These committees ensure that products are designed with greater emphasis on meeting customer needs and our strategic goals while staying within the prudential guidelines set by the Group. They also explore cross-selling opportunities created by the new liberalised regime in Malaysia by working in collaboration with partners and other departments.

LPI believes that the measures taken by Lonpac will help us successfully navigate the transition into a liberalised marketplace while maintaining our core philosophy. In doing so, we are securing the sustainable future of our Malaysian operations.

CATERING TO A CHANGING DEMOGRAPHIC

People are at the heart of the insurance business, and the changing demographics in our markets translate to a fundamental shift in the way we do business. The evolving demographics have affected the way that insurance products are packaged, marketed and distributed. In Malaysia, as with elsewhere around the world, the insurance and financial sectors have seen the emergence of a new generation of customers who are technologically savvy and relatively independent, and who prefer to self-manage their financial matters through the use of technological intermediaries, i.e. financial technology ("fintech").

This trend is not likely to reverse course going forward. In response to this shift in demographics, Lonpac established a Digital Strategy Department in 2017 aimed at designing solutions to cater to this segment of customers. Two key goals were identified for the Group:

- To digitise the sale and management of its insurance products

- To transform Lonpac into a true digital business across all distribution channels

MANAGEMENT
DISCUSSION & ANALYSIS

Differently put, the Digital Strategy Department has been tasked with deploying a digital strategy to expand the Company's distribution channels and to appeal to the new technologically savvy generation of customers. This will effectively expand the scope of Lonpac's activities while increasing its relevance to new customers.

TRANSFORMING INTO A DIGITAL COMPANY

Technology has always played an important part in our operations but our transformation into a digital company marks a fundamental shift in our business. By becoming a digital company, we are emphasising the importance of using digital technology such as websites and mobile apps as key sales and distribution channels.

In the first phase of the digital transformation, Lonpac has refreshed the look and feel of its website. Launched on 7 December 2018, the new website has been designed to be more dynamic, less cluttered and more informative to customers.

The digital transformation will also see Lonpac leveraging on a mobile app to widen its digital footprint. Lonpac is working on developing its own proprietary app as well as in collaboration with partners to develop online solutions. Upon completion of the mobile app, customers will have access to complimentary value-added services such as the Lonpac E-Assist service, as well as use their mobile device to submit claims documentation such as photos.

Finally, Lonpac will continue working on the implementation of its Business Process Management ("BPM") system. The BPM system promises to yield greater business efficiency by streamlining workflow processes, thereby allowing staff to be more responsive to customer needs. The enhancement of the BPM system for the Fire class of business is expected to be completed by 2019.

LPI'S FINANCIAL PERFORMANCE IN FY2018
AT A GLANCE

	2018	2017
Profit Before Tax (RM'000)	**405,965**	403,749
Profit for the Year (RM'000)	**314,049**	313,794
Basic Earnings Per Share (sen)	**78.83**	78.77*
Total Assets (RM'000)	**4,240,553**	3,814,615
Total Equity (RM'000)	**2,156,785**	1,920,911
Return on Equity	**14.6%**	16.3%
Return on Assets	**7.4%**	8.2%
Operating Margin	**26.6%**	27.3%
Net Claims Incurred	**40.9%**	38.5%

* *Comparative figures for the weighted average number of ordinary shares for basic earnings per share have been restated to reflect the adjustment arising from bonus issue during the financial year ended 31 December 2018.*

PROFIT BEFORE TAX BY SEGMENT

	2018 RM'000	2017 RM'000
General Insurance Operations	**374,061**	372,204
Investment Holding	**27,889**	29,056
	401,950	401,260
Share of profit after tax of equity accounted associated company	**4,015**	2,489
Profit Before Tax	**405,965**	403,749

LPI performed well in 2018 relative to the industry within a challenging operating environment. During the year under review, the industry as a whole saw profit margins erode due to intensifying price competition between the various insurance players looking to establish stronger market leadership in the liberalised general insurance market.

While the price war impacted our business, we managed to make up the difference by launching new innovative products with more attractive pricing and by enhancing our existing range of comprehensive products. In designing new products, we focused on products that aim to give customers better coverage at lower prices. This change in our strategic approach helped offset the erosion of our premiums by building up our market share in key market segments.

The success of the strategy can be seen from our gross written premiums growth of 3.4%, which is more than double the industry's average growth rate of 1.5%[2]. This is further reinforced by the growth in our profit before tax ("PBT") to RM406.0 million in 2018 from RM403.7 million a year ago, which is a remarkable achievement given the existing operating environment.

Breaking down this figure, we see that PBT contributions from our general insurance operations grew 0.5% to RM374.1 million from RM372.2 million a year ago. Of the various classes of coverage offered under our general insurance operations, the Fire class of business posted the strongest growth, increasing 11.1% year-on-year, while our Motor business grew 10.6% during the same time frame.

Meanwhile, contributions from our investment holding operations decreased 4.0% year-on-year, contributing RM27.9 million to Group PBT. The decrease is due mainly to higher management expenses and the absence of a non-recurring gain of RM1.5 million from the sale of equity investments in 2017.

As at 31 December 2018, the Group's total assets included cash in hand, balances and deposits with banks and liquid investments totalling RM418.5 million. These assets bear insignificant risk of changes in value as their maturity terms are three months or shorter, and are used by the Group to manage its short-term commitments. The capital expenditure commitments for the Group stood at RM11.0 million, which is not material to the Group's financial position. There were no changes to the capital structure and resources of the Group in 2018.

FINANCIAL AND MARKET CONDITIONS

The intensifying implementation of Bank Negara Malaysia ("BNM")'s Liberalisation Framework presented new challenges to all players in the Fire and Motor classes of business. Insurance players looking to increase their market share rolled out competitively priced products that exerted pressure on margins and eroded profitability. Insurers were thereby forced to come up with creative solutions to defend their market share while at the same time developing new products that created value for customers in the new liberalised regime.

The market environment was further impacted by the new Malaysian government's decision to scale down the number of large infrastructure projects coming on stream. As part of its mandate, the new Malaysian government, which was formed in May 2018, reviewed the infrastructure development projects in the country. This policy decision had an impact on the economy in general and on our insurance business in particular.

Conditions were also affected by the turbulent global financial market, which was destabilised by the US and China's trade brinksmanship. The threat of a full-blown trade war has dampened economic sentiments, and could significantly hurt the Malaysian economy should it continue unabated. Global political uncertainty also remained a factor as major economies around the world continue to deal with populist issues including trade protectionism and immigration.

[2] *ISM Statistical Bulletin for the period January – September 2018.*

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In 2018, Lonpac performed well against its peers, reporting a Combined Loss Ratio of 67.4% (91.4%[3] on average for the industry). The following benchmarks provide an overview of our position in the market.

- Market position on Gross Direct Premiums (Motor & Non-Motor) – General Insurance for the period January – September 2018: Ranked 5th
Source: ISM Statistical Bulletin

- Classes of insurance where Lonpac was ranked in the top 3 for the period January – September 2018:

Class	Rank
Bonds	1
Contractor's All Risks and Engineering	1
Fire	1
Liabilities	2
Offshore Oil-related	3
Workmen's Compensation and Employers' Liability	1
Others	1

Source: ISM Statistical Bulletin

- Lonpac's Combined Ratio, the sum of incurred losses and expenses as a percentage of earned premiums, was 67.4% compared to the industry average of 91.4% for the period January – September 2018
Source: ISM Statistical Bulletin

- Lonpac's Management Expenses Ratio was 20.1% as compared to the industry average of 22.9% for the period January – September 2018
Source: ISM Statistical Bulletin

We expect 2019 to remain a challenging year as insurance players continue to adjust to changes brought about by the liberalised framework. Continuing global trade turmoil may also dampen investor sentiment and affect economic activity in the country while price competition is expected to further intensify. However, if the Malaysian government decides to embark on any significant infrastructure project in the near term, it could function as a catalyst for certain segments of our business.

LPI's Board remains confident that the Group's healthy financial position, commendable capital adequacy ratio and business strategies are sufficient to ensure sustainability in its core business.

[3] *ISM Statistical Bulletin for the period January – September 2018.*

> As at 31 December 2018, the Group's capital adequacy ratio ("CAR") was much higher than the supervisory CAR of 130% set by BNM and the Group's Individual Target Capital Level.

CAPITAL MANAGEMENT

The management of the Group's capital holdings is guided by LPI Group's Capital Management Plan ("CMP"), and is aligned with the Group's business strategy and existing regulatory requirements. The CMP contains a comprehensive list of triggers and contingency solutions that will be activated by specific events or by the current level of capital adequacy.

The CMP also assesses risks and threats to the Group in stipulated scenarios. The CMP outlines the appropriate response to these risks and threats with the intensity of response dependent on the event or the extent of the capital threshold breach. The mitigating responses in the CMP aim to maintain normalised capital levels for the Group at all times to ensure business continuity.

As at 31 December 2018, the Group's CAR was much higher than the supervisory CAR of 130% set by BNM and the Group's Individual Target Capital Level. International rating agency A.M. Best Asia-Pacific Limited ("A.M. Best") also noted in its October 2018 report that Lonpac had solid risk-adjusted capitalisation, as measured by Best's capital adequacy ratio ("BCAR").

STRESS TESTING

The Group's stress testing exercise is guided by BNM's *Policy Document on Stress Testing* and aimed at identifying threats stemming from potential adverse events. Stress testing has been tailored to take both the current business environment and the Group's risk profile into account. It also factors in the direction and scope of the Group's existing business activities into the risk model.

LPI Group's stress testing exercise is designed to be comprehensive, rigorous and predictive, and is regularly reviewed by both the Board of Directors and Management. The results of the review are used to identify and manage existing and potential risks that may have a negative impact on the Group's capital base and financial health. Members from the Board and Management are active participants in the stress test and are responsible for assessing the methodology, assumptions and testing results.

The stress testing exercise conducted in 2018 demonstrated that the Group has a strong CAR to support its business requirements and to provide an adequate buffer against potential underwriting volatility. The new liberalised regime has assigned greater risk management responsibility to insurers, and the Group is aware of its enlarged role under the new framework.

DIVIDEND POLICY

LPI Group has paid dividends to its shareholders every year since listing in 1993. The Group's practice of regular and healthy dividend payout is consistent with its capital management strategies and is part and parcel of its overall reward to shareholders. The Group expects to continue this practice going forward, barring any sudden and drastic changes in the Group's financial and operational environment.

EXTERNAL BENCHMARKING OF LONPAC'S FINANCIAL STRENGTH

Lonpac voluntarily submits itself to an annual financial strength assessment by global insurance rating agency A.M. Best. This assessment functions as an external benchmark that provides our stakeholders with an objective benchmark to determine the financial strength and stability of the Company.

On 26 September 2018, A.M. Best upgraded Lonpac's financial strength rating to "A" and its issuer credit rating to "a" from "A-" and "a-" respectively. The ratings upgrade reflected a number of strengths including:

- A strong balance sheet
- Consistently robust operating performance
- Healthy fundamentals going forward

In particular, A.M. Best noted that Lonpac's performance remained strong despite the implementation of the second phase of liberalisation, and that its operating ratio, hovering around 60% between 2013 and 2017, was superior to its peers. Although the rating agency noted that liberalisation was expected to erode profitability, it remained confident that Lonpac would remain fundamentally robust going forward.

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REVIEW OF OPERATING ACTIVITIES

The previous year was challenging for the Malaysian insurance industry as insurers felt for the first time the full impact of the liberalised regime. Although total gross written premiums for the industry grew by 1.5% compared to a decline of 0.3% in 2017, the more aggressive pricing strategy employed by insurers eroded margins, thereby resulting in a compression of net profits.

Two classes where we saw particularly stiff competition were Fire insurance and Motor insurance. Competitors, particularly those with foreign shareholding, started taking advantage of the flexibility in pricing accorded by the liberalised framework to launch new attractively priced products. We also faced other operational issues such as rising costs that affected the margins of our Health & Accident portfolio.

The year also saw moderating consumer sentiment owing to the uncertain economic climate caused by both local and global developments. The new Malaysian government formed in May 2018 decided to review the number of large infrastructure projects coming on stream in the country, subsequently affecting the country's economic growth in the near term. This also affected certain segments of our business, particularly those involved in providing cover for infrastructure projects. Likewise, the threat of a trade war between China and the US dampened investor confidence and is cause for greater uncertainty going forward.

Despite the difficult operating environment, Lonpac's Management is pleased to report that it retained its market leadership in the Fire segment of the general insurance business. We anticipated that profit margins in this segment would be eroded by liberalisation and so we focused our efforts during the year on intensifying our customer and business acquisitions to offset the impact of narrowing margins.

While we expect operating conditions to remain the same in relation to liberalisation moving forward, we note that BNM is expected to conduct a review of the implementation of the Liberalisation Framework in 2019. Following the review, we will make adjustments to our business approach based on its findings.

The following section provides a breakdown of our operational activities during the year.

UNDERWRITING

The Underwriting Division is a crucial component of any insurance company. The Division is responsible for all our underwriting functions including:

- assessing and underwriting risk;
- providing technical advice to agents and clients;
- determining insurance terms and conditions;
- preparing policy documentation; and
- supporting marketing initiatives.

The Underwriting Division also provides technical training to staff and agents, and works with other departments to ensure that the front- and back-ends of the underwriting processing system are aligned.

Since the liberalisation of the Malaysian general insurance framework, the Underwriting Division has introduced a number of new products designed to take advantage of the new pricing regime. Some of the Division's key achievements in 2018 included:

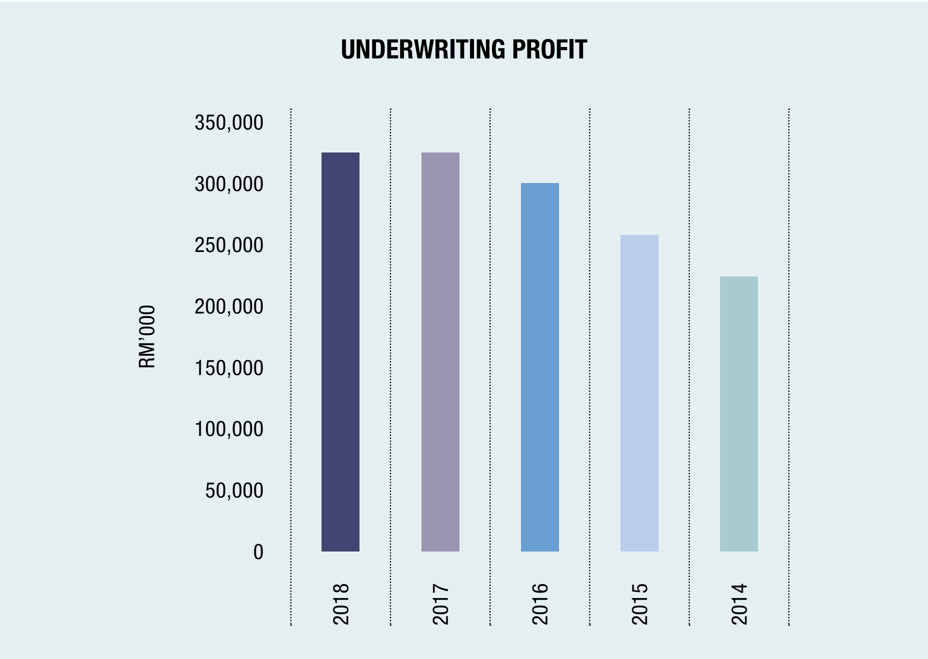
- Developing three new detariffed Fire products: Mortgage Home Secure Plus, Home Secure Plus and Fire Secure.
- Continuing to implement a new IT system for Fire (BPM – Fire) which encompasses a new workflow system and a more comprehensive data entry system.

The introduction of the new workflow and products for Fire is part of Lonpac's overall strategy to maintain its market leadership in that class of business. The BPM systems will improve end-to-end efficiency while making the entire process more transparent. This will in turn provide important data for future analysis.

Moving forward, the Underwriting Division will continue exploring and developing new products to maintain Lonpac's leading position in the market.

Underwriting Division Performance Benchmarks for FY2018

The key benchmark tracking the performance of the Underwriting Division is underwriting profit and loss ratio. In 2018, Lonpac registered RM303.5 million in underwriting profit, which was a marginal 0.8% lower than the RM305.8 million posted in 2017. Meanwhile, its combined ratio increased to 67.4% from 64.0% due to an increase in its net claims incurred ratio and net commission ratio.



HEALTH & ACCIDENT DEPARTMENT

The Health & Accident Department was established in 2015 to support Lonpac's effort to develop its Medical insurance and Personal Accident ("PA") portfolio of business. Over the last three years, the Department has seen steadily increasing sales of Medical and PA products coupled with high customer persistency rates.

The Department promotes its products via worksite marketing to employees already insured under their employers' group health and group PA policies. It also collaborates with organisations with large customer bases to develop co-branded medical and PA products in order to tap into and leverage on a captive market. As at 30 September 2018, Lonpac was the fifth-largest provider of medical and health insurance in the Malaysian market, and held the largest market share in the individual health insurance market.

Medical insurance is one of the fastest-growing portfolios in our industry, posting more than 10% growth per annum over the last three years. However, the portfolio remains challenging, with claims catching up due to increasing medical costs. In an effort to offset medical inflation, the Health & Accident Department launched new products in 2018 and reviewed premium pricing to take into account the prevailing claims and increasing cost trend. This is a portfolio that has significant potential but requires close monitoring to ensure that the needs of the customer are met and that the pricing of coverage is adequate to risk.

By the end of 2018, gross premiums collected for health insurance grew 25.5% as compared to the same period of the previous year. Earned premium, meanwhile, grew 52.6% during the same time frame with the net claims incurred ratio standing at 77.7%. In the PA insurance business, Lonpac saw gross premium grow by 6.4% while the net claims incurred ratio for the portfolio stood at 55.0% by the end of 2018.

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Business activity for the Health & Accident Department was bolstered by several key initiatives including:

Sales were also bolstered by the newly launched M-Line Solutions, which enables agents with substantial business to accept and issue standard health insurance using a mobile app. The experience acquired through the deployment of M-Line Solutions is expected to help the Department better cater to tech-savvy consumers in the future.

AGENCY NETWORK

Lonpac's network of agents was the main contributor of gross premium income in 2018, contributing RM663.0 million, which represents 45.1% of the total gross premium income. The agency network continues to perform admirably even as the Malaysian insurance market grows ever more competitive. Lonpac's agency network is overseen by the Agency Department.

The Department is responsible for recruiting and training agents, as well as retaining agents. Agent retention is an important priority for us as experienced and trained agents are key assets for the Company. We have, over the years, introduced and refined our incentive programmes to motivate and encourage improved performance from our agents, as well as to retain them in our stable. These programmes include sales incentive campaigns for select business classes, as well as international sales conventions for eligible agents.

Lonpac has targeted an annual 10% increase in its number of agents until 2019. In 2018, a total of 379 agents were recruited, which met the annual target of agency recruitment. The new recruits bring the total number of agents in Lonpac's network to 2,844.

We have focused our efforts in recent years on recruiting technologically savvy agents to aid in our Digital Transformation Strategy. The objective of building this group of digitally enabled agents is to better meet the needs of our evolving demographics, as well as to improve efficiency by driving greater automation through the use of technology. We expect sales from digital channels including online and mobile to improve with the help of these agents.

Lonpac organises annual conventions to recognise its top-performing agents. Conventions were held for its Titanium, Platinum and Gold Masterclub award holders in England & Scotland, Perth in Australia and Xiamen in China respectively. Membership in the Masterclub is fluid as it is based on the performance of the agents and other considerations. In 2018, Lonpac recognised 193 agents as Masterclub Members. An initial 16 Masterclub Members were identified when the programme started in 2006.

Lonpac Masterclub recognises top-performing agents based on their premium volume, profitability and their ability to build balanced portfolios. The recognition is designed to reward agents for their performance and encourage them to improve further.

BROKING & GLOBAL PARTNERSHIP

Lonpac's Broking and Global Partnership Department is responsible for managing two significant channels of business for the Company.

Broking

Lonpac's Broking Unit is focused on building and fostering relationships with brokers and obtaining their buy-in to achieve departmental goals. The Department ensures that delivery standards meet customer and broker expectations, and prioritises the delivery of business solutions rather than just product pricing.

Through our relationships with the brokers, Lonpac has been actively involved in the insurance programmes of several major government infrastructure projects, particularly those grouped under the Economic Transformation Project ("ETP") such as the Klang Valley MRT ("KVMRT").

In 2018, the Broking Unit contributed total gross premium income of RM117.0 million, representing 8.0% of Lonpac's total gross premium income. During the year, the Broking Unit secured the electrified double-tracking project from Gemas to Johor Bahru, which generated insurance premiums of about RM14.0 million.

The broking business in Malaysia has become an increasingly competitive market with the entry of new players in recent years. Competitors, spurred by the recently liberalised framework, have increased pressure in almost all areas of the broking business. At the same time, the decision by the new Malaysian government to reduce the number of large infrastructure projects coming on stream has also reduced the amount of business in this space, making it a more challenging environment for all players.

To offset the difficult working environment, Lonpac is focusing its efforts on integrating activities with other departments, e.g. collaborating with Health & Accident Department to capitalise on the fast-growing medical and PA insurance classes of business. Underwriters are working together with the pricing and broking/marketing teams to develop comprehensive and innovative product packages to meet changing demand.

Global Partnership

The long-term strategy of the Global Partnership ("GP") Unit is to build its stable of international partners that have no local representation in Malaysia. Under this arrangement, global partners introduce international clients to Lonpac while Lonpac provides insurance products and services covering their needs in Malaysia. The GP Unit is responsible for designing and issuing local policies in compliance with Malaysian rules and regulations for multinational clients with business and commercial interests in the country.

The diversification of partners is important as the global insurance industry remains volatile, and mergers and acquisitions of existing partners may have detrimental impact on our business. On a positive note, we have already signed two new partners and are in the process of obtaining two more. The Unit aims to tap into the existing platform provided by global partners to generate business activity to contribute to the overall performance of the Group.

Total premiums written by the GP Unit totalled RM109.6 million in 2018 representing an increase of 17.8% from RM93.0 million a year ago.

The Fire class of insurance once again ranked tops in terms of contribution to the Unit's business income. Apart from Fire, GP also undertakes specialised liability classes of business such as Directors & Officers Liability, Public Product Liability, Clinical Trial Liability and Professional Indemnity. The diverse portfolio of the GP Unit is part of Lonpac's overall strategy to establish itself as a serious and niche liability player.

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FINANCIAL INSTITUTION

The Financial Institution ("FI") Department collaborates with the LPI Group's financial institution partners, primarily PBB, to develop and offer insurance solutions for FI clients. The Department is mainly involved in the Fire and Houseowner classes of business and provides insurance products as well as technical support. It also works collaboratively with financial institutions to explore new areas of business and to cross-sell non-mortgage-related insurance products. The FI Department was restructured in 2017 and segregated into two units, each with its own areas of focus: Business Development and Operations & Sales Support.

The FI Department introduced the Mortgage Home Secure Plus product in 2018, which is designed to give policyholders peace of mind in the event of emergencies affecting their property. This policy is designed to cover the mortgage payments for the homeowners should their property be eligible for claims.

Contributions from FI totalled RM377.2 million for the financial year under review, representing a 9.9% increase over the previous year. Income from the FI segment accounted for 25.7% of total gross premium income for the past year. The FI Department's improved performance was due to the increased penetration into our FI partners' client base. Increased referrals and lead generations from FI partners thereby resulted in higher premium income.

Despite the better performance, the FI Department saw a slower and more competitive market in 2018 with clients growing more price-sensitive. As with the rest of Lonpac, the FI Department will be increasing IT usage to enhance customer experience and improve the efficiency of delivery channels. The FI Department will also be looking to implement the end-to-end electronic delivery of all documentation, from the proposal stage to the issuance of policies.

CLAIMS

Given the highly competitive nature of the Malaysian general insurance market, differentiating ourselves from our competitors through more efficient and effective claims management is critical. Lonpac's Claims Department is presently transforming the Group's claims processes by leveraging on digital solutions that are integrated with robust business intelligence, document and content management systems. This enhancement is expected to improve claims processing efficiency and customer retention.

Over the last few years, the claims process has been impacted by the implementation of liberalisation in the Malaysian general insurance market. This is expected to intensify in the coming years as liberalisation reaches a peak. We are also expecting climate change to pose greater challenges to the insurance industry and insurers will need to be able to deliver business-as-usual claims in the midst of climate-related disasters.

The Claims Process

Operations-wise, the duties and roles of the Lonpac Claims Department are segregated to ensure the smooth running of the entire claims process. Proper and stringent claims control procedures are also in place to guard against fraudulent claims.

Adjusters and relevant experts are consulted when dealing with complex and/ or suspicious claims, while a review of claims is conducted regularly to ensure prompt adjustment of reserves in line with the latest available information and documents. We are also aided by ISM Insurance Services Malaysia Bhd's Fraud Intelligence System ("FIS") which helps identify potential fraudulent motor claims. FIS deploys cutting-edge technology and analytical techniques enabling cross-industry collaboration that integrates industry-wide data. The use of a real-time analytical engine calculating the probability for fraud at each stage of the claims cycle, right from claims notification to claims settlement, increases our effectiveness in combating fraud.

The Claims Process

As the claims process is vital to business planning and development, information such as customer comments, which provide feedback on our process, is treated with utmost importance and care. Customer experience and feedback help facilitate the strategic decision-making process of underwriters and risk managers, as well as the development of new business solutions addressing policyholders' needs. On top of meeting customers' and stakeholders' expectations, we treat every legitimate claim with utmost care in line with our philosophy of prioritising stakeholders' interests.

In addition, we have always been firm believers of continuous improvement within the organisation. Our staff are empowered and provided with regular training to improve productivity and proficiency. Performance criteria, processes and procedures are clearly documented and shared with the relevant personnel to ensure effective management of claims. A customer-friendly claims process is highly valued by policyholders as an accident or loss is usually associated with inconvenience and anxiety.

Improving the Claims Process through Digitisation

We are presently working on improving the operational efficiency of the claims management process and developing an operating system that will minimise claims cost and eliminate unnecessary expenses associated with claims handling. This is a comprehensive overhaul, which should see improvements throughout the entire value chain from the initial claims notification, the appointment of loss adjusters, to investigation and final settlement.

With digital capabilities becoming more robust, consumers will similarly increase the integration of digital solutions in every aspect of their lives. Correspondingly, insurance business and particularly the claims process must follow suit. The digitisation of the claims process will not only improve customer experience, but will also enhance claims efficiency, thereby generating significant value for the Company.

The ultimate goal is to have a faster, analytics-driven approach in place and a fully automated claims handling process for selected lines of business. This includes digitising the claims process by enabling access from mobile devices. It is important to note that emphasis has been placed on improving customer experience as well as improving operational efficiency.

Claims Department Performance Benchmark for FY2018

Lonpac is moving towards a new benchmark in claims handling where claims will no longer be viewed merely as a "back-end" operation. With our team of skilled and highly dedicated personnel working in designated classes of claims, Lonpac is setting itself apart from its competitors in the area of excellence in claims handling.

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Claims Department Performance Benchmark for FY2018

The productivity of the Claims Department is measured by the number of claims settled per staff during the year. Productivity continued to improve with 1,462 claims settled per staff as compared to 1,395 claims settled per staff recorded in 2017.

Statistics of claims registered and settled in 2018 are as follows:

	No. of claims registered		No. of claims settled	
Class	**2018**	**2017**	**2018**	**2017**
Fire	**3,781**	4,875	**1,851**	2,243
Marine	**837**	768	**523**	478
Personal Accident	**4,237**	8,987	**3,246**	7,906
Miscellaneous	**7,356**	5,903	**6,424**	4,984
Health	**11,874**	9,810	**9,589**	7,825
Workmen's Compensation	**1,408**	1,363	**579**	528
Motor	**25,087**	23,252	**13,616**	13,395
Liability	**1,203**	1,344	**316**	333
Bond	**123**	29	**90**	23
Aviation	**1**	0	**0**	0
Engineering	**900**	818	**316**	307
Total	**56,807**	57,149	**36,550**	38,022

With our clearly managed claims processes, we are confident that our efforts will bring even greater satisfaction to our customers.

INFORMATION AND COMMUNICATIONS TECHNOLOGY ("ICT")

Lonpac's IT Department plays a crucial role in all of its operations, facilitating day-to-day activities. It is also responsible for ensuring that the Group's ICT systems keep pace with new technological developments, ensuring that Lonpac's products and services meet customer expectations and are at optimal levels.

Some of the Department's activities in 2018 included:

- **Complying with Tax and Regulatory Requirements**
  The IT Department was responsible for ensuring that the Company's systems complied with the new government directive to effectively abolish the Goods and Services Tax ("GST") and to replace it with the Sales and Service Tax ("SST"). Given the relatively short time frame to comply with the new directives, the IT Department took immediate measures to ensure that all our systems complied with the new tax regime.

- **Developing New Products**
  A number of new projects focused on developing new products for the Fire class of insurance have been ongoing since the liberalisation of the Fire Tariff on 1 July 2017. The IT Department played an instrumental role in the development of these products, which involved ensuring sufficient back-end and distribution support. Some of the new products in 2018 included:

  - Fire Secure
  - Fire Home Secure
  - Fire Property Secure
  - Home Secure Plus
  - Mortgage Home Secure Plus
  - Global All Risks

  The Department also helped develop a new health product, Hospitalisation and Surgical Insurance MediSavers 2018, which was launched in June 2018.

- **Collaborating with Intermediaries**
  With mobile devices becoming the dominant medium for information and web access, Lonpac took a decision to collaborate with Pathlab Health Management (M) Sdn Bhd ("PHM") to sell health insurance via PHM's online portal. Through this functionality, PHM's customers can purchase insurance online and the policy is issued almost immediately upon receipt of payment.

- **Fraud Intelligence System ("FIS")**
  FIS is an initiative by BNM aimed at combatting fraudulent claims. The system pools together insurance industry data and uses analytics-based solutions to detect and investigate cases of insurance fraud. Lonpac is both a supporter and active participant in the FIS initiative.

  Lonpac completed the integration of FIS into its systems in April 2018. Subsequently, all registered claims were submitted to FIS for fraud assessment, which rates the risk of the claim and returns it to the Lonpac system. The rating represents how likely the claim is fraudulent. With FIS in place, we believe that fraudulent claim payouts will be reduced and that we will be more efficient in resource management.

- **Systems Enhancement**
  The claims system was enhanced to improve control over the approval of submitted claims. Under the new enhanced claims system, restrictions are set based on the claims authority limit of the relevant staff. The approval of the claims can also be tracked for discrepancies which in turn mitigates the risk of unauthorised claims approval. The enhanced claims system was implemented in October 2018.

- **Bandwidth Upgrade**
  The recent effort by the government to improve Internet broadband services enabled Lonpac to double its existing Internet bandwidth without additional operational cost. The upgrade improved user internet access performance, download and upload speeds, and facilitated faster communication between users and clients.

- **Storage Upgrade**
  In keeping pace with growing business data volume and to further enhance the mission-critical system performance, Lonpac upgraded its existing Unified Storage Area Network ("SAN") storage to an all-flash storage solution. The implementation of this upgrade accelerated high input-output ("I/O") throughput performance, subsequently optimising overall core business systems performance.

- **Email Classification**
  One of our data security initiatives for 2018 was to implement a message tagging system on email communication. This effort aligns the classification of emails with our corporate Data Classification policy. The new tagging system increases security and data sensitivity awareness on email communication between Lonpac and its business partners.

- **Business Intelligence ("BI") System Upgrade**
  We upgraded the BI system, enabling users to track, analyse and manage vital business information in our systems. The upgraded system improved performance, flexibility and functionality.

- **Security**
  Lonpac enhanced the security of its firewall through an upgrade. The implementation of a next-generation firewall beyond legacy technology keeps us ahead of cyberattacks through the use of the latest detection engines. All security devices have been equipped with the latest security protection signatures and updated with the latest security patches as part of our routine data security practice.

  Lonpac has deployed an integrated security framework which contains functionalities such as vulnerability monitoring, patch management and ongoing risk assessment and management, as well as traditional cyber defences such as perimeter security, intrusion detection, security configuration management, manual penetration testing and web application security assessment. These functionalities are critical in detecting and mitigating potential vulnerabilities and security gaps that could lead to data breaches.

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OUTLOOK AND MOVING FORWARD

The Malaysian economy is expected to expand at a slower-than-expected rate in 2019 following mixed results in the first- and second-half of 2018. The Malaysian Institute of Economic Research ("MIER") noted that the latest trade data reflected weakening global demand, which is consistent with the declining index of export-oriented industries in the Industrial Production Index since the start of 2018.

The think tank further noted that global demand was being disrupted by renewed protectionist sentiment in major economies capped by the threat of an intensifying US-China trade war. The fallout from these trade disagreements has far-reaching ramifications, including for the Malaysian economy. A reduction in China's exports to the US is expected to have a significant knock-on effect on Malaysia's export demand, MIER said, as many of China's exported goods to the US contain Malaysia's components.

Although Malaysia's growth is driven by domestic demand, this too may moderate in line with the slowdown in investment activities. This is due in part to a government policy to review and reassess big-ticket infrastructure investments in a bid to curb the ballooning national debt. This policy may have a spillover effect on private investment, which in turn may have a negative influence on private consumption.

OUTLOOK FOR THE INSURANCE INDUSTRY

BNM's timeline to implement the full liberalisation of the general insurance industry will depend on the result of a review expected in 2019. In the meantime, the insurance sector is expected to continue facing pressures on its margins with competition threatening to erode profitability.

It is also unlikely that any large government infrastructure project will be introduced in the foreseeable future to act as a catalyst rejuvenating the industry. Hence, 2019 will remain challenging barring any sudden and substantial changes. Muted consumer demand due to economic uncertainty will also pose new challenges to the sale and distribution of insurance products, forcing insurers to be creative in balancing value for customers and their own business needs.

Despite the near-term challenges, the long-term outlook for the Malaysian insurance sector remains positive. Insurance assets continue to be under-represented in terms of total assets in the Malaysian financial system, the vast majority of Malaysians are uninsured and there remains substantial room for professional and industry development. Indeed, BNM has promised to launch a blueprint outlining the areas of development required for the Malaysian insurance industry in the coming years.

EXPECTATIONS AND OPPORTUNITIES

The LPI Group performed relatively well against its peers in 2018, but the Group expects competition to further intensify in 2019. While we remain focused on enhancing revenue and market share, we are aware that the extenuating operating environment may grow increasingly challenging due to external factors beyond our control. Aside from global economic instability, a decision by the US Federal Reserve to increase its interest rate may also be detrimental to the Malaysian economy as investors will be enticed to pull out from developing markets.

One factor in our favour is that the last few years have shown that Lonpac's strategy of focusing on product development, enhancing distribution and collaborating with key partners is working. We will continue to work on these going forward even as we seek to grow our market share in light of increasing liberalisation. Our efforts at restructuring some of our existing portfolios, such as the Health & Accident class, is expected to result in positive contributions in the coming year.

In conclusion, we expect the Digital Transformation Strategy to make us more attractive to a previously untapped customer segment. We are optimistic that this will be positive for us in the long term. Although we are still at the early stages of the transformation, our focus on improving customer and user experience should see immediate results from our new website and mobile app in 2019.

A NOTE FROM THE CHAIRMAN OF THE BOARD

DEAR STAKEHOLDERS,

LPI Capital Bhd ("LPI") is immensely proud of its sustainability practice and track record of creating value for our stakeholders since the founding of the Group over 50 years ago. We believe that sustainability is a fundamental goal of all organisations, and the priority we place on ensuring sustainability is evident from our prudential approach to underwriting risk, maintaining business profitability and developing our communities.

Since 2016, the Group has been tracking and reporting its sustainability practice in accordance with the guidelines stipulated by the Malaysian stock exchange operator Bursa Malaysia Securities Berhad ("Bursa Securities"). Under these guidelines, we have adopted materiality indicators and definitions that allow for greater benchmarking and comparisons of our non-financial performance across the industry. The Group has continued to refine its sustainability practice over the last two years to develop a more robust and comprehensive set of sustainability policies.

One of the key changes implemented in 2018 was to expand the scope of our Sustainability Report to incorporate the activities of our Singapore branch. These have been included in our report, thereby providing a more thorough overview of Lonpac Insurance Bhd ("Lonpac")'s entire business. Where relevant, the data from Singapore has been reported separately to allow for a more granular analysis of our sustainability performance by geographical location.

We have also continued to enhance our materiality assessment and stakeholder engagement process following feedback from our regulators and stakeholders. In response to comments on our previous years' reports, we have further improved our stakeholder engagement process and conducted floor-surveys at our Annual General Meeting to obtain immediate and candid feedback from shareholders. We have also enlarged our list of materiality indicators to be better aligned with the industry's indicators, and broken up some of the categories.

In addition, we have indicated in the report that we will be making the transition to integrated reporting within the next two years, and preparatory steps are being taken to ensure a smooth transition. We believe that this change to integrated reporting will help our stakeholders better assess the value that we create through our activities, and look forward to the new challenge of integrated reporting.

I would like to thank the Management and staff of LPI and Lonpac for their hard work in the preparation of this Sustainability Report. While we are presently operating in uncertain times with the Malaysian general insurance industry continuing to liberalise and global markets still in a volatile state, I believe that our business vision and commitment to sustainability will see us through this challenging period.

Thank you.

SUSTAINABILITY REPORT

We believe that this change to integrated reporting will help our stakeholders better assess the value that we create through our activities, and look forward to the new challenge of integrated reporting.

Tan Sri Dato' Sri Dr. Teh Hong Piow
Non-Independent Non-Executive Chairman

Our approach to **SUSTAINABILITY**

ABOUT THIS SUSTAINABILITY REPORT

This Sustainability Report discloses material sustainability issues and impacts arising from the activities of LPI and its wholly-owned subsidiary Lonpac. The contents of this Sustainability Report have been reviewed and endorsed by LPI's Board of Directors ("Board").

The Board is represented on the Sustainability Committee by its Executive Director Mr. Tan Kok Guan, who is also the chairman of the Sustainability Committee.

SUSTAINABILITY REPORT

This Sustainability Report was prepared in line with the guidelines provided by Bursa Securities. All efforts have been made to provide a thorough and comprehensive disclosure of the impact of all activities. As with our previous reports, we have continued to amend our definitions and processes as we continue to improve on our sustainability framework.

Material sustainability issues are issues that may positively or negatively influence LPI Group's ability to deliver on our corporate mission to be Malaysia's preferred premier insurance solutions provider. These issues have a direct impact on our stakeholders, which include our customers, business partners, employees and regulators, and a ripple effect on our performance as a business entity. A complete list of our key stakeholder groups and our relationships with them is discussed in a later section on page 60.

The preparation of this report was guided by the principles contained within the AA1000 AccountAbility series, which are designed to help organisations become more accountable, responsible and sustainable.

REPORT SCOPE

The scope of this report extends to the sustainability impact of the general insurance operations and initiatives of LPI's wholly-owned subsidiary Lonpac. This report also takes into consideration the sustainability impact of our operations in Singapore, which is a first for us. However, we have not included the sustainability impact of our operations in Cambodia, which is managed by our 45%-owned associated company Campu Lonpac Insurance Plc.

Specifically, the scope of our Sustainability Report is defined by the roles that we play as a general insurance provider in relation to our stakeholders. Some of these include:

- Providing insurance coverage for individuals, and for commercial and industrial customers, including customers from the public sector involved in national infrastructure development
- Contributing to the growth of the national economy through the remittance of taxes, job creation and procurement activities
- Employing a network of 803 staff and 2,844 agents in our operations in Malaysia and Singapore
- Supporting organisations that actively work towards enriching and empowering the less fortunate in society
- Creating value for our shareholders
- Supporting the development of the Malaysian insurance industry through our relationships with our regulators, business partners and other insurers in the field

From this perspective, the scope of the report is very much bound by our activities and the relationships that we have with our stakeholders.

Our Core Values

The LPI Group's sustainability framework is built on a set of core values that forms the basis of our culture. Our core values represent the way we conduct ourselves, and outline our responsibilities to our customers, stakeholders, employees and communities. Our core values are as follows:

- Aspire to be the **LEADER** in the insurance industry in Malaysia and in the region.
- Commitment to **OPERATIONAL EXCELLENCE** guided by integrity and professionalism.
- Creating **NEW AND INNOVATIVE** market-relevant insurance products.
- **PROVIDING** a fair, caring and merit-based working environment.
- **ADOPTING** a proactive and accountable approach to stakeholders.
- **CRAFTING** a premier insurance brand identified for good corporate governance and corporate responsibility.

MANAGEMENT APPROACH TO SUSTAINABILITY

We believe that sustainability must involve the entire value chain of the Group. It begins at the very top with our Board of Directors and extends all the way down to our on-the-ground staff and our business intermediaries and partners. In terms of execution, Lonpac, the operational arm of the LPI Group, is best positioned to identify and implement our sustainability strategies. Hence, the management of the sustainability framework resides mainly at the Lonpac-subsidiary level even though overall responsibility for sustainability sits at the very top of our organisation.

As a leading insurer in Malaysia, Lonpac regards both its fiduciary and non-obligatory duties to stakeholders as among its most important priorities. The discharge of these duties takes on various forms depending on the stakeholder and the nature of the relationship.

For our customers, we ensure that our insurance products are available at fair prices and on equitable terms. For our employees and agents, we strive to support their professional development by providing adequate training and career advancement opportunities. And for our community, we actively support development partners by providing funding and by participating in their activities.

To help us identify the nature of our obligations to our stakeholders, our sustainability approach is anchored on the sustainability concepts of Economic, Environmental and Social ("EES"). These correspond to the areas of impact of our sustainability activities, which are specified in our sustainability management framework, also known as Lonpac Cares. The following table provides an overview of our sustainability management approach and framework.

Sustainability Area under Lonpac Cares	Mapped EES Area	Key Stakeholders
Community Development	Economic/ Social	Communities
Environmental Conservation	Environmental	Environmental Stakeholders
Marketplace Development	Economic/ Social	Shareholders and Investors
		Customers
		Legal Entities
		Media
		Business Partners
Workplace Management	Economic/ Social	Employees and Agents

These four areas comprehensively outline the EES impact of our activities and also identify the stakeholders who are impacted by our activities. We believe that developing these four sustainability areas is vital for the continued long-term commercial success of Lonpac, and to help us reach our goal of creating sustained value for our stakeholders. These areas also delineate our policies and initiatives, and guide our entire sustainability practice.

Additional details about Lonpac Cares and our initiatives can be found on pages 66 to 81 of this report.

SUSTAINABILITY REPORT

OUR SUSTAINABILITY GOVERNANCE STRUCTURE

LPI's sustainability practice is overseen by the Group's Sustainability Committee, which was established on 27 June 2016. The roles of the Sustainability Committee include directing, managing and overseeing the sustainability activities of the Group, and to report its findings to the Board of Directors. The Board is represented on the Sustainability Committee by a director who is appointed the Chairman of the Sustainability Committee. Other senior managers of Lonpac, including its Chief Executive Officer ("CEO") and Deputy CEO, also sit on the Sustainability Committee.

Roles of the Sustainability Committee

The Sustainability Committee plays a direct role in implementing the Company's sustainability initiatives and is also responsible for adjusting the Group's sustainability policy based on feedback and new findings. It develops new initiatives, obtains Board endorsement for the Group's sustainability policy, and measures initiative outcomes against Key Performance Indicators ("KPIs"). The Sustainability Committee's roles are specified in greater detail below:

Identifying Material Indicators

The Sustainability Committee is responsible for identifying sustainability issues that are material to the organisation. Material indicators are defined as issues that have an impact on the Group's EES footprint or on any of the Group's identified stakeholders.

Liaising with the Board of Directors

The Sustainability Committee is responsible for obtaining Board endorsement of the Group's sustainability vision and strategy. In particular, the Sustainability Committee engages the Board to:

a. **Obtain sustainability concerns and feedback from directors**
Best practice requires that sustainability be addressed at all levels of the organisation, including at the level of the Board. The Sustainability Committee acts as the direct liaison between LPI's Management and Board of Directors, and engages the Board to discuss sustainability matters during Board meetings. It apprises the Board on sustainability matters including sustainability concerns, initiatives and outcomes, and also seeks feedback from the Board with regard to individual concerns or questions about the Group's sustainability practices.

b. **Seek Board approval on sustainability policies and initiatives**
The Board is the highest governing body in any corporate entity, and must assess and approve key strategic matters including sustainability. At LPI, the Sustainability Committee is responsible for presenting the Board with identified sustainability issues and recommending policy changes to better align them with business strategy. The Board is responsible for assessing, reviewing and approving the proposals. The Board is also responsible for endorsing the overall sustainability vision and strategy for the entire organisation, which has been developed by the Sustainability Committee.

c. **Report on sustainability progress**
The Sustainability Committee is responsible for the periodic reporting of the progress of sustainability initiatives against identified goals. The Board is responsible for reviewing the results presented before them and making the appropriate assessment of the results.

Developing Our Sustainability Vision and Strategy

Lonpac's sustainability vision and strategy was developed by the Sustainability Committee in consultation with the Board of Directors as well as other stakeholders. The strategy is aligned with the LPI Group's long-term business vision stipulated in our Corporate Mission statement:

> "Our primary focus is to provide innovative insurance products supported by customer-centric service excellence. We aim to provide our insured an easy channel for all their insurance needs.
>
> Our brand is representative of the way we conduct ourselves and the approach to organisational development. We aim to create an environment for our people that is fair, caring and accountable.
>
> Our drive is to create value for our stakeholders, anchored to our vision and corporate mission. We strive for sustainability through financial and technical strength based on recognised and proven standards."

Our Sustainability Vision Statement complements the Corporate Mission, and was developed to guide and govern our sustainability strategy. The Sustainability Vision Statement reads as follows:

> "Our sustainability goal is to create sustained value for our key stakeholders including our community, customers, employees and shareholders, through the long-term management of sustainability risks and opportunities, and through our unwavering adherence to good corporate governance.
>
> We remain committed to dispensing our role as an insurance provider in good faith to ensure that we provide sufficient coverage to our customers in their time of need.
>
> Finally, we are committed to maintaining our position as a leading insurer in Malaysia and to ensure that our presence makes a positive difference in the communities where we operate."

KEY ACHIEVEMENTS 2018

Following feedback from our regulators and stakeholders, LPI's Sustainability Committee expanded the scope of its sustainability practice to incorporate the sustainability activities of our Singapore branch into this year's report. The outcomes from our Singapore branch were previously excluded as the Committee felt that the small size of our Singapore operations relative to total operations did not make any significant impact on reporting. In the interest of full disclosure, we have decided to include Singapore's sustainability impact in this year's report.

In addition, we have further enhanced our materiality assessment process to better incorporate material indicators identified for the insurance industry. Accordingly, our number of material indicators has increased from 9 in 2017 to 15 in 2018. The increase in the number of material indicators has allowed for greater granularity in assessing our sustainability impact, and are discussed in greater detail in the following section.

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REPORT

The following table summarises the way in which our material indicators have been split into more discrete categories in 2018.

2017 Material Indicators	2018 Material Indicators
National Contribution	National Contribution
	Job Creation
Governance and Responsible Business Conduct	Corporate Governance
	Claims Management
Partners' and Agents' Loyalty	Partners' and Agents' Loyalty
	Partners' and Agents' Competency
Responsible Investment	Responsible Investment
Privacy and Data Protection	Privacy and Data Protection
Product Availability and Affordability	Product Availability and Affordability
Employee Development and Welfare	Employee Competency
	Workplace Diversity
	Employee Welfare Development
	Workplace Safety
Shrinking Our Carbon Footprint	Shrinking Our Carbon Footprint
Social Responsibility	Social Responsibility

With the addition of the new list of material indicators, we have constructed a new materiality matrix, which can be found on page 65 of this report.

SUSTAINABILITY GOALS MOVING FORWARD

The LPI Group made a commitment to enhance its reporting practice and its sustainability framework by 2020, and will produce its first integrated report in line with the <IR> Framework. As per the <IR> Framework's definition:

> *"Integrated reporting has been created to enhance accountability, stewardship and trust as well as to harness the information flow and transparency of business that technology has brought to the modern world. Providing investors with the information they need to make more effective capital allocation decisions will facilitate better long-term investment returns."*

The Group is steadfastly behind all efforts to promote more uniform and improved disclosures of organisational health, and a key facet of this reporting process is the organisation's sustainability.

Following a preliminary survey of the <IR> Framework's requirements, the Sustainability Committee concluded that the existing sustainability framework is insufficient to capture all data necessary for the production of an integrated report. To that end, we have appointed an external consultant to review our current processes and advise on areas that require further enhancement ahead of our 2020 deadline.

In the meantime, we will continue to focus on improving our existing sustainability reporting framework in consultation with our stakeholders. Some of the continuing measures that we have put in place include delivering on our digital strategy to emphasise digital transactions and to enhance shareholder returns through costs reduction and greater productivity. We are also constantly assessing the market, particularly in this period of phased liberalisation, to ensure that our products and our employees meet customer expectations and demands.

We welcome all comments and suggestions as to how we can further strengthen our sustainability practice. Please direct all correspondence to sustainability@lonpac.com.

STAKEHOLDER IDENTIFICATION

The Sustainability Committee identified eight key stakeholder groups that have an impact or are directly impacted by our business activities. Our identified stakeholders have remained unchanged from the previous year. They are as follows:

- **Employees:**
  These are our employees who form the backbone of our operations and are directly responsible for all our business activities.

- **Business Partners:**
  Business partners refer to third-parties who facilitate our business including agents, lawyers, adjusters and reinsurance companies, as well as other corporate intermediaries.

- **Shareholders & Investors:**
  These are stakeholders who hold a direct financial stake in the LPI Group.

- **Customers:**
  Customers are the consumers of our insurance products and key to the continued profitability of our Company.

- **Communities:**
  These are the communities in which we serve and operate, both as an insurance provider and as a member of the community.

- **Legal Entities:**
  Legal entities include regulatory authorities that oversee the legal framework in which we operate including Bank Negara Malaysia (“BNM”), Bursa Securities and Persatuan Insurans Am Malaysia (“PIAM”).

- **Media:**
  The media is responsible for communicating the public image of our Company and includes analysts who act as the liaison between the LPI Group and investors.

- **Environmental Stakeholders:**
  These are organisations that have a vested interest in the protection of the environment.

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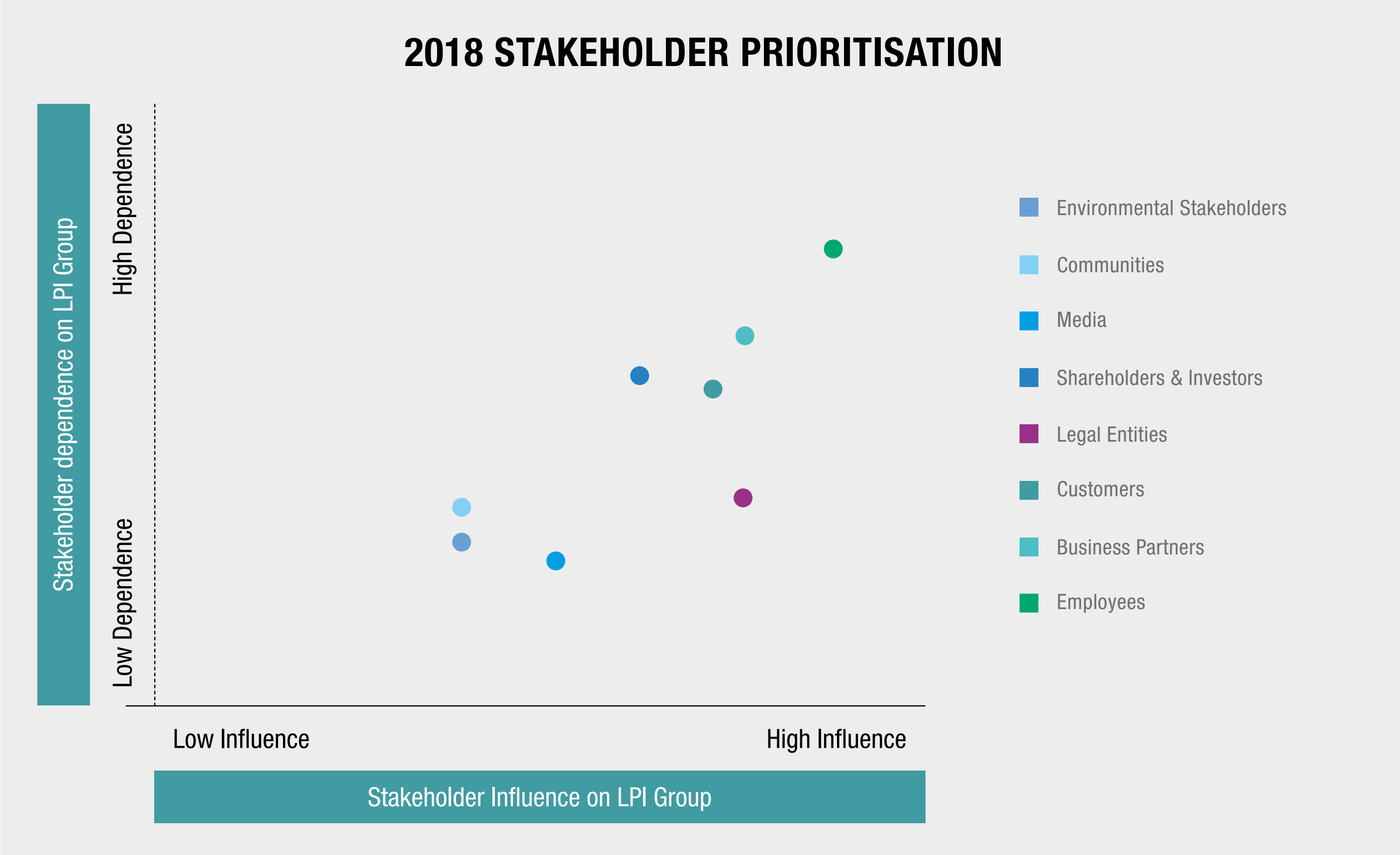
The stakeholder prioritisation matrix is illustrated below.



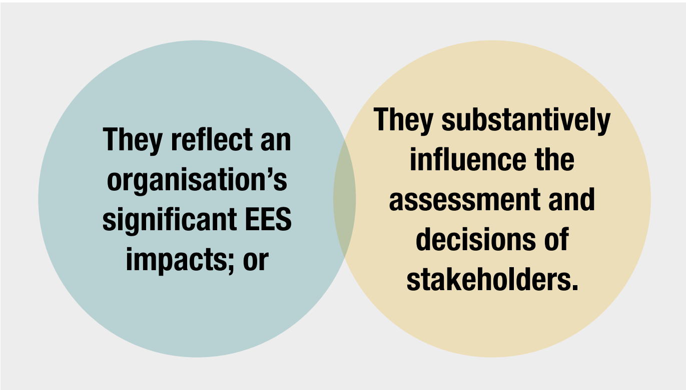
In 2018, we received 603 responses from stakeholders surveyed. The following is a breakdown of the age profile and gender of these respondents:

Age Band	Male	Female	Not Available[N1]	Total
25-30	31	50	3	84
31-40	69	76	2	147
41-50	91	79	2	172
51-60	65	42	5	112
More Than 60	45	21	9	75
Not Available[N1]	4	1	8	13
Total	**305**	**269**	**29**	**603**

N1 - Respondents prefer to remain anonymous.

MATERIALITY ASSESSMENT

Materiality, in sustainability terms, is not limited to matters that may have significant financial impact on the organisation, but also includes those matters that directly or indirectly affect the way we operate. For practical purposes, we have adopted the definition of materiality provided by Bursa Securities, which states that sustainability matters are deemed material if:



These material indicators have been subsequently grouped into three categories, namely Economic, Environmental and Social, or EES.

Our list of material indicators has grown organically over the past two years. Beginning with issues identified by the Sustainability Committee, the list has been expanded over the years following our engagements with stakeholders and from feedback received from pertinent parties. In accordance with best practice, we have ranked these material indicators based on interviews and surveys with our stakeholders.

In 2018, our number of material indicators rose from 9 in the previous year to 15. The 15 material indicators and their grouping under our sustainability structure are illustrated in the table below.

EES Pillar	Material Indicators	EES Category
Marketplace Development	National Contribution	Economic
	Job Creation	
	Partners' and Agents' Competency	
	Claims Management	
	Corporate Governance	
	Partners' and Agents' Loyalty	
	Responsible Investment	
	Privacy and Data Protection	
	Product Availability and Affordability	
Workplace Management	Employee Competency	Economic
	Workplace Diversity	
	Employee Welfare Development	
	Workplace Safety	
Community Development	Social Responsibility	Social
Environmental Conservation	Shrinking Our Carbon Footprint	Environmental

These 15 material indicators were prioritised by our stakeholders in order of importance to them. Stakeholders surveyed in 2018 included:

- Walk-in customers at Lonpac branches
- Shareholders attending our Annual General Meeting
- Business partners and intermediaries including:
  - Adjusters
  - Lawyers
  - Agents and Corporate Clients
- Community representatives
- Lonpac employees

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The expanded stakeholder survey showed that stakeholders have changed their priorities in line with the changing environment, and the change is illustrated in the table below.

Stakeholder Assessments 2018	Stakeholder Assessments 2017
Privacy and Data Protection	Governance and Responsible Business Conduct
Corporate Governance	Privacy and Data Protection
Employee Competency	Product Availability and Affordability
Claims Management	Employee Development and Welfare
Workplace Safety	National Contribution
Partners' and Agents' Loyalty	Partners' and Agents' Loyalty
Employee Welfare Development	Responsible Investment
Partners' and Agents' Competency	Social Responsibility
Product Availability and Affordability	Shrinking Our Carbon Footprint
National Contribution	
Responsible Investment	
Job Creation	
Shrinking Our Carbon Footprint	
Workplace Diversity	
Social Responsibility	

Based on the latest survey, we found that Privacy and Data Protection and Corporate Governance remained the top material indicators for our stakeholders although their order of importance has switched. There is also a significant increase in the importance of Employee Competency, which suggests that our stakeholders value our ability to retain an experienced and skilled workforce. This may reflect a growing worry that liberalisation has increased competition and that it has become more necessary to retain our competitive edge.

In addition to polling stakeholders outside LPI Group, we also polled our internal stakeholders, including our staff and Management. For comparative purposes, we have used Management's assessment (LPI Assessment) of material indicators as a benchmark to identify the different priorities of our other stakeholders, which includes the priorities of our staff.

COMPARISON OF MATERIAL INDICATORS

Stakeholder Assessments 2018	LPI Assessment 2018
Privacy and Data Protection	Employee Competency
Corporate Governance	Partners' and Agents' Competency
Employee Competency	Claims Management
Claims Management	Partners' and Agents' Loyalty
Workplace Safety	Product Availability and Affordability
Partners' and Agents' Loyalty	Employee Welfare Development
Employee Welfare Development	Corporate Governance
Partners' and Agents' Competency	Job Creation
Product Availability and Affordability	Responsible Investment
National Contribution	Privacy and Data Protection
Responsible Investment	Workplace Safety
Job Creation	National Contribution
Shrinking Our Carbon Footprint	Workplace Diversity
Workplace Diversity	Shrinking Our Carbon Footprint
Social Responsibility	Social Responsibility

As the graphic shows, Management tends to be more concerned about operational efficiency and employee competency whereas our other stakeholders tend to be more focused on stakeholder protection.

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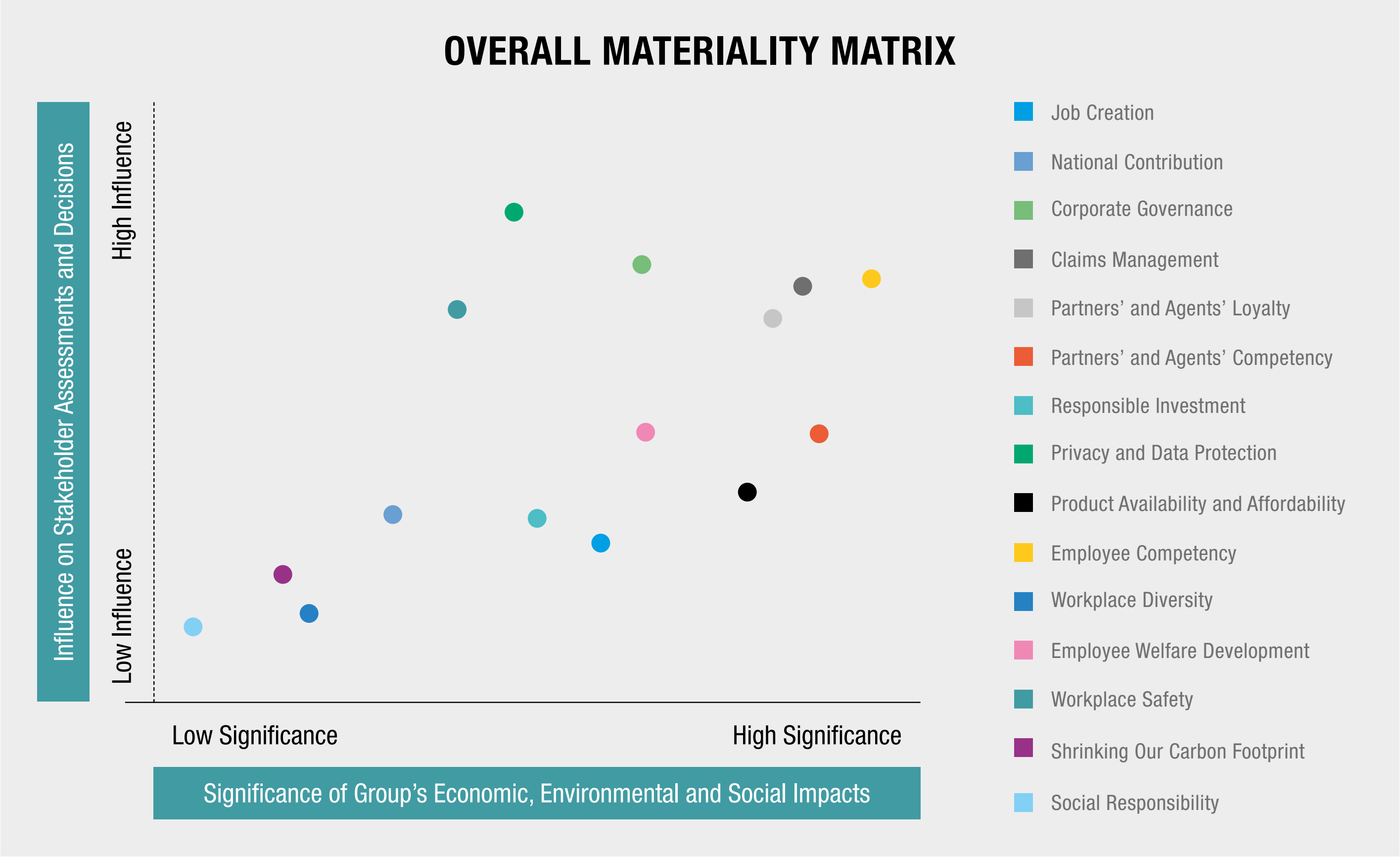
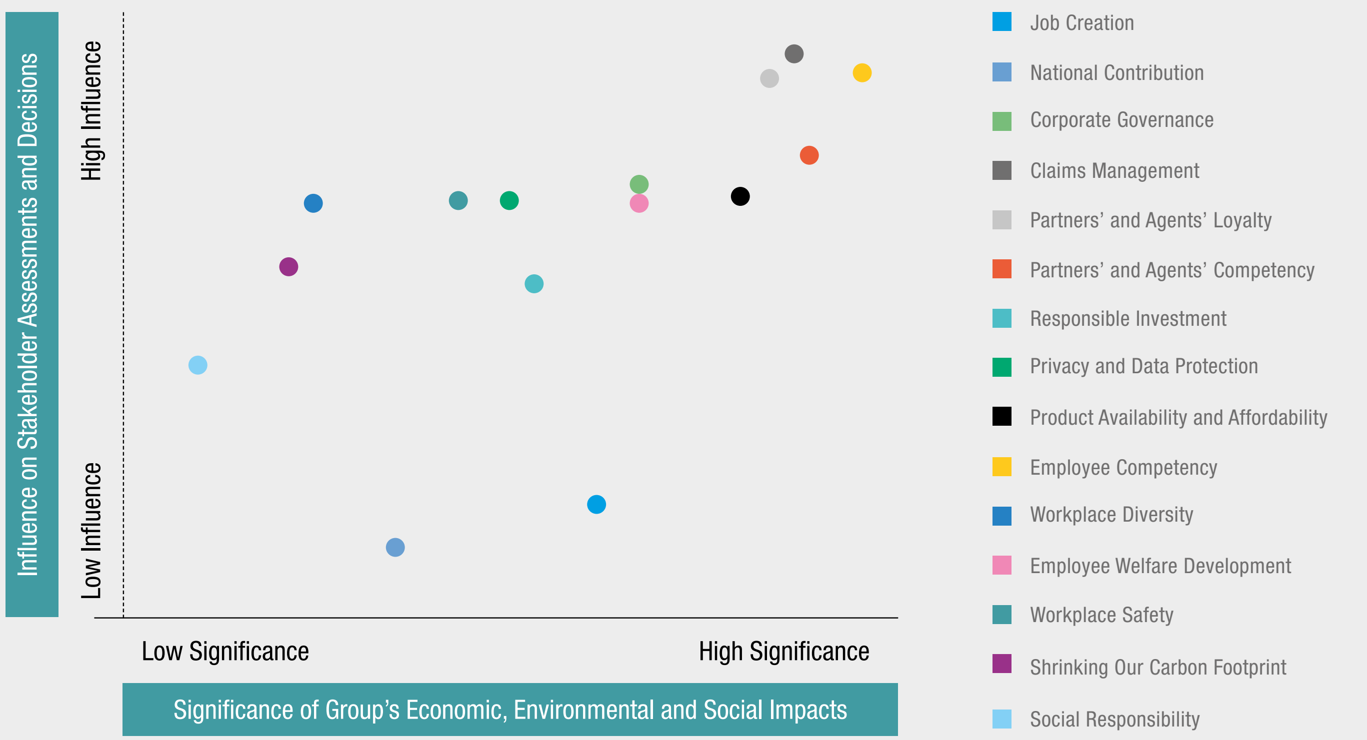
We acknowledge that differences do exist between these two stakeholder groups, but rather than trying to align their priorities, the Sustainability Committee believes the best solution may be to address each of their respective concerns independently of one another. For example, we need to do more to communicate to our stakeholders that we are actively improving our data privacy and security despite having recorded zero incidences of network security breaches during the year.

Weighted equally, the material indicators of all stakeholders yield the following materiality matrix:



In addition, we have also constructed a materiality matrix for our Singapore operations in recognition of the differences in the operating environment.

SINGAPORE MATERIALITY MATRIX



LONPAC CARES

Lonpac Cares is our sustainability framework addressing the material indicators and EES matters outlined above. The framework is divided into four pillars, which have been designed to provide the basis and guide for our sustainability initiatives and policies. The four pillars are:

- Marketplace Development
- Workplace Management
- Community Development
- Environmental Conservation

Together, these four pillars ensure that our sustainability initiatives are directed at material indicators that are most relevant to us as a business and as a community organisation.

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ECONOMIC

IN THIS SECTION

LPI Group contributes to national development as an investment vehicle and a taxpayer. In 2018, we paid

RM
253.0 million in dividends

RM
90.7 million in taxes

MARKETPLACE DEVELOPMENT

Lonpac operates within a broader insurance and financial marketplace beyond our dealings with our customers and shareholders. As an international insurer, our marketplace extends beyond Malaysia and the region, and our activities are subject to market forces arising from both local and international sources.

Our responsibility to the marketplace takes on several different roles depending on the stakeholder. These range from working together with other insurance providers and regulators to shape the industry to ensuring that our products and services meet the needs of our customers. Our initiatives in this area are focused on steering marketplace development to the benefit of our business and our stakeholders as well as to promote financial stability.

Nine initiatives have been identified, each addressing a specific material indicator:

- National Contribution
- Job Creation
- Corporate Governance
- Claims Management
- Partners' and Agents' Loyalty
- Partners' and Agents' Competency
- Responsible Investment
- Privacy and Data Protection
- Product Availability and Affordability

NATIONAL CONTRIBUTION

The success and sustainability of our business depends on the economic and financial health of the country. As an insurer, we play a significant role in maintaining the overall health of the financial system as well as in facilitating commercial and industrial projects.

With recent financial crises showing that the failure of financial institutions can lead to the systemic collapse of the entire marketplace, we are more aware than most of our role in maintaining the integrity of the Malaysian financial system.

To ensure that we do not pose a risk to the overall financial system, we maintain robust levels of financial reserves at all times in order to meet all our financial obligations. The capital management strategy we have in place as well as our prudential risk policy guidelines ensure that our capital adequacy surpasses stipulated requirements. Our financials are periodically stress tested to ensure that our balance sheets can maintain their integrity during pressing times. A discussion of our capital adequacy is available on page 42 of this report.

Lastly, the LPI Group also contributes to national development as an investment vehicle and a taxpayer. In 2018, we paid RM253.0 million in dividends and RM90.7 million in taxes.

JOB CREATION

Jobs stimulate the economy by creating real wealth for individuals, which in turn boosts aggregate consumer demand in the economy. Jobs also contribute to the national coffers in terms of income tax and provide valuable training experience for the domestic workforce. Where possible, Lonpac hires local talents but focuses on filling the position with the candidate most suited to the role.

The table below provides an overall summary of our contributions in these areas.

Area	Sustainability Value (Objectives)	Indicator	Measurement/ Calculation	Target	Progress
Impact of recruiting activities	Creating job opportunities and economic wealth Contributing to the government's and industry's efforts to increase the number of skilled insurance professionals in Malaysia	Job opportunities created during the year	Total number of recruitments = 68 jobs created (2017: 63 jobs)	To ensure continuous recruitment growth in tandem with the Company's growth	Recruitment and job creation depend on the efforts of the LPI Group to grow its business
			Percentage of jobs awarded to locally qualified candidates = 62 out of 68 jobs = 91.2% (2017: 90.48%)	To develop local insurance talent	
		Internship programmes	Training hours/ time spent on interns = Total training hours/ number of interns = 695 hours per intern = 4.5 months per intern (2017: 2.4 months/ intern)	To ensure continuous growth in the Company's internship programmes	

Our business also depends substantially on agents who may not be direct hires of Lonpac, but nevertheless act on our behalf and derive economic benefit in doing so. This is also part of our contribution to the overall wage market in terms of job creation.

Lonpac has a policy to expand its agency force by 10% annually until 2019 as part of its overall plan to increase its presence and market share. Meeting this target ensures that we have sufficient manpower to keep pace with the expansion of the market, thereby addressing a core tenet of sustainability. We recognise that the increasingly competitive insurance industry is exerting greater demand for skilled and experienced financial practitioners, and we will enhance our recruitment practices to ensure that we do not fall behind.

In 2018, we added 379 agents to our stable, bringing the total number of agents in our network to 2,844.

CORPORATE GOVERNANCE

LPI Group adheres to a strict code of corporate governance (please turn to pages 93 to 117 to find our Corporate Governance Overview Statement). Good governance is an essential element of sustainability, and has been embedded throughout all our operations with policies in place stipulating the need for responsible business conduct. Our Board of Directors takes a direct interest in all aspects of the management of the Company, including the production of this Sustainability Report, and considers all incidences of governance breaches very seriously.

In recognition of our improving corporate governance track record, LPI was selected as one of two winners in the Minority Shareholders Watch Group's Most Improved PLCs (Malaysia) Award at the 2nd ASEAN Corporate Governance Awards 2018.

CLAIMS MANAGEMENT

The efficiency and effectiveness of the claims process is a key service benchmark that relates directly to the overall performance level of our operations. The claims process is critical within the insurance value chain as claims are generally only initiated when a loss is involved. With customers depending on us for a fair and quick settlement of their claims in their hour of need, the ability to perform efficiently and effectively in managing claims becomes a key consideration for us.

SUSTAINABILITY REPORT

The efficiency of our claims process is also a differentiating point, allowing us to create greater value in comparison with our competitors. Lonpac is committed to the constant improvement of the claims management process to ensure that we meet customers' demands as quickly and fairly as possible.

We track five different targets in benchmarking our claims management efficiency. The table below is a summary of these benchmarks for the year under review.

Summary Of Claims Management Benchmarks For 2018

Sustainability Benchmark	Description	Measurement	Goal	2018 Achievement
Claims settlement ratio	Measures the efficiency of the claims process	Percentage of the number of claims settled against the number of claims registered	Indicative ratio to exceed 60.00%	64.34% (2017: 66.53%)
Claims productivity ratio	Measures the productivity of claims staff	Percentage of the number of claims settled over the number of claims staff	To achieve a minimum average of 1,250 files settled per staff member	1,462 claims (2017: 1,395 claims)
Completeness of quarterly claims files review	Review of all open/ outstanding claims files to determine status	Whether or not the review exercise was conducted	To conduct the claims review every quarter	Completed exercise every quarter in 2018
Claims service standard	Measures the claims service standard by the number of customer complaints	To measure the number of complaints received against the number of claims registered	Number of complaints received not exceeding 5% of total number of claims registered	0.05% (2017: 0.05%)
Performance of service providers	Ensures that our service providers comply with regulators' claims settlement guidelines and internal service standards	Conducting review of service providers' performance	To conduct the performance review on a semi-annual basis	Performance of our service providers was reviewed on a half-yearly basis at the Panel Review Committee meetings in 2018

In addition to the benchmarking of our claims process, we also conduct regular engagement sessions with the media, analysts and investor representatives to keep them apprised of the Company's performance. These channels help us to remain transparent and also to communicate the Company's overall health to a wider audience.

PARTNERS' AND AGENTS' LOYALTY/ COMPETENCY

Partners' and Agents' Training

We maintain a network of business partners and agents to provide regular servicing for our clients and to generate new business leads. Agents are our front-line staff who deal directly with our customers and are therefore best positioned to understand our customers' needs and propose appropriate solutions. In this regard, our agents form a crucial link between ourselves and our customers.

It is therefore vital that we retain a stable network of partners and agents with a high degree of competence and experience who are well versed with our insurance solutions and services in order to make the right recommendation to our customers. To help them achieve their professional ambitions and reach the levels of professionalism that we expect from them, we invest significant time and resources in developing our partners and agents.

To support the professional development of our agency force, Lonpac conducts regular training and development workshops for them. These workshops cover a wide range of topics, from customer service to product-specific technical courses. In 2018, we conducted 157 training workshops for our agents in Malaysia and Singapore during the year. These training sessions covered a variety of topics, from training on new products to operational and process improvements. In 2018, we spent a total of RM1.58 million on training our agents in Malaysia and Singapore.

Partners' and Agents' Retention

We recognise that developing our partners and agents without properly incentivising them to stay is insufficient. To help us retain them, we take great pains to ensure that they are remunerated at levels equal to or surpassing the industry average, and have also introduced a number of incentives such as our annual Masterclub Award. The Masterclub Award is an accolade for our agents in recognition of their superior service on our behalf and encourages them to maintain their performance levels.

The Award was introduced in 2006 to recognise the best performers within our network of agents, with winners picked based solely on business profitability and portfolio premium incomes. The Masterclub Award is a token of appreciation to our best agents, and is designed to create friendly and competitive camaraderie among them.

RESPONSIBLE INVESTMENT

We are committed to the responsible investment of our funds. We ensure that funds are not used in such a way that it breaches policy guidelines including prudential risk thresholds. We also ensure that the deployment of funds is not in breach of our ethical guidelines that make firm stipulations against illegal or unethical practices.

The LPI Group's investments are overseen by the Investment Committee and carefully scrutinised to ensure that the Company's investment policies and strategies are in line with our business strategy and all investment guidelines. They are also subject to the scrutiny of our risk management processes and reviewed to ensure that they do not pose a systemic risk to the Company.

PRIVACY AND DATA PROTECTION

As per our stakeholder prioritisation matrix, the issue of privacy and data protection is now among our stakeholders' highest concerns and has been for several years. The increasing use of technology at all levels of our business poses new data and security challenges, particularly in view of the corresponding rise in data piracy and network incursions.

Data breaches and data piracy not only put our reputation at risk, but also expose the Company to liabilities resulting from our failure to safeguard confidential data. The fallout from data breaches is far-reaching and includes the loss of trust of our customers and partners, which in turn directly impacts the sustainability of our operations. Despite our excellent track record, the recent spate of high-profile data breaches in large companies is a reminder that everyone is a potential target for data pirates.

To ensure that our IT systems have the adequate protection against unauthorised data access, the system is assessed annually by an independent third-party security vendor.

We have in place a robust Privacy Policy that stipulates the use and handling of customers' confidential data. The Policy states that confidential data from customers can only be used in specific circumstances and by authorised personnel. We expect our employees, agents and contractors to abide by the Policy at all times, and violations of the Policy can lead to disciplinary and other appropriate actions. The full text of our Privacy Policy is available online at https://www.lonpac.com/home/privacy-policy.

PRODUCT AVAILABILITY AND AFFORDABILITY

We are committed to the principles of financial inclusivity as articulated in BNM's Financial Sector Masterplan. Under the plan, we have an obligation to ensure that our products are fairly priced and available to all levels of society. In practice, this translates to the need for a broad range of products that are accessible by the various economic classes in society such that the insurance safety net is available to all.

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We have taken this a step further by exploring the possibilities made available through innovative insurance technology ("insuretech"). Insuretech leverages on smart mobile devices and online platforms to make purchase and management available to anyone with access to the Internet. Lonpac is presently transforming its IT back-end as well as its processes to facilitate the development of insuretech and e-Insurance services. This will, in time, give a wider group of Malaysians more convenient access to insurance.

In 2011, the Malaysian insurance industry, together with BNM, introduced the 1Malaysia Micro-Protection Plan, which provides Fire and Personal Accident coverage for as little as RM1.50 and RM3.50 per month respectively. Lonpac is a participant of the programme and functions as a point of sale for the product.

The protection granted by this product ensures that persons and small business owners are given financial support in the unfortunate event of accident involving themselves or their businesses. The sum insured provided by this plan ranges from between RM5,000 and RM50,000 for Fire coverage, and RM20,000 for Personal Accident coverage.

WORKPLACE MANAGEMENT

Having a strong and sustainable talent pool is a key enabler of Lonpac's business strategy. Since the liberalisation of the general insurance framework, we have seen growing competition in all segments of our business which has in turn led to growing demand for skilled and experienced insurance agents and specialists. We recognise that a sustainable talent pool is a material issue for our organisation, and we have taken decisive steps to ensure that our workforce strength is sufficient in delivering our strategic goals.

As our stakeholder prioritisation matrix shows, both internal and external stakeholders believe that retaining skilled and experienced staff is a key priority for the Company and vital for the sustained creation of value.

For these reasons, we have actively managed our workplace to create a safe and productive working environment, and put in place remuneration policies that are on par with, if not better than, the industry average. We place great stock in employee loyalty and dedication as part of our employment culture. To recognise our employees' contributions to Lonpac, long-serving staff receive Service Recognition Awards upon reaching specific milestones. The Award serves as a token of appreciation in recognition of their loyalty and continued service.

The table below provides a summary of the number of recipients over the past 10 years.

Years of Service	Number of Recipients									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
45 years	-	-	-	-	-	-	-	-	-	**1**
40 years	-	-	1	1	2	-	-	-	-	**-**
35 years	-	1	1	-	-	-	-	2	3	**2**
30 years	-	-	4	4	4	5	1	-	1	**3**
25 years	5	2	1	2	3	1	2	3	7	**14**
20 years	1	2	4	10	16	24	8	15	18	**16**
15 years	26	9	15	23	18	9	14	13	18	**22**
10 years	10	17	15	25	27	18	22	25	18	**34**
Total	**42**	**31**	**41**	**65**	**70**	**57**	**47**	**58**	**65**	**92**

Staff are also assured of career advancement opportunities with Lonpac, which practises a non-discrimination succession policy. This is aligned with our management succession plan, which ensures a constant supply of trained leaders and management professionals to secure business continuity. Finally, initiatives under this pillar are also focused on developing a safe and productive environment for our staff, agents and customers.

At Lonpac, we recognise the importance of hiring local talent and more importantly, investing in them. For this reason, we have put in place a comprehensive talent development programme, which is underpinned by our Workplace Management sustainability pillar. The pillar outlines four broad areas addressing staffing issues:

- Employee Competency
- Workplace Diversity
- Employee Welfare Development
- Workplace Safety

EMPLOYEE COMPETENCY

Lonpac plays an important role as an employer, creating jobs throughout the entire value chain of the insurance industry. Our hires range from specialised technical experts to front-line personnel responsible for communicating directly with our customers. Our initiatives in this area contribute to gross domestic product growth and also provide valuable training and development opportunities for employees. In 2018, we spent RM1.18 million to train our people across all functionalities.

Lonpac's recruitment policy is aimed at recruiting the right complement of staff to support our business activities. To develop a sustainable talent pool, we have implemented initiatives in several key areas of the talent management process, including staff composition and staff retention. We have identified two headline targets for recruitment and retention as detailed below.

Target Description	Target	Achievement (2018)	Rationale
Recruiting and developing staff to ensure a pool of competent and qualified personnel to support business operations	60% of staff to hold bachelor's degrees or appropriate professional qualification	45.21% (2017: 44.94%)	Lonpac aims to ensure that its customers and business processes are served by competent and qualified personnel. While academic qualifications are not the only determinant of proficiency, having a majority of employees with tertiary and professional qualifications helps us establish a pool of talent.
Staff retention as measured by the staff attrition rate	Fewer than 10% of total staff annually	6.23% (2017: 5.19%)	We set an attrition target to benchmark the quality of our human resource policies. Although the number of staff leaving the Company increased slightly in 2018, the ratio is well under our benchmark of 10%.

To help our employees reach their full potential, we not only optimise their productivity but also their efforts to reach their own personal and professional ambitions. Lonpac measures the impact of its employee welfare and development initiatives through key headline KPIs.

The targets and benchmarks for 2018 are detailed below.

Target Description	Target	Achievement (2018)	Rationale
Comprehensive training and development opportunities for all employees	1. To have at least 60% of the staff population attend formal training in any given year 2. For all employees to receive at least an average of two days or 16 hours of formal training and development annually	67.12% of all employees attended training in 2018 (2017: 63.04%) Total hours of training per employee = 16.92 hours (2017: 16.19 hours)	Lonpac's Heads of Department are expected to ensure that their employees are sufficiently trained and developed as part of their annual assessment so that all employees are given the opportunity to develop and progress in the organisation.

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Target Description	Target	Achievement (2018)	Rationale
Professional development and qualification of employees at managerial levels and above	At least 50% of employees at managerial level in core operations are professionally qualified or are actively pursuing professional qualifications	2018 <table><tr><th>Core Operations</th><th>% Qualified</th></tr><tr><td>Total Core</td><td>36%</td></tr><tr><td>Underwriting</td><td>57%</td></tr><tr><td>Claims</td><td>33%</td></tr><tr><td>Accounts</td><td>80%</td></tr><tr><td>Marketing/ Business Development</td><td>28%</td></tr><tr><td>Actuarial/ Enterprise Risk Management/ Pricing</td><td>50%</td></tr><tr><td>IT</td><td>Not applicable</td></tr></table> 2017 <table><tr><th>Core Operations</th><th>% Qualified</th></tr><tr><td>Total Core</td><td>38%</td></tr><tr><td>Underwriting</td><td>58%</td></tr><tr><td>Claims</td><td>44%</td></tr><tr><td>Accounts</td><td>80%</td></tr><tr><td>Marketing/ Business Development</td><td>28%</td></tr><tr><td>Actuarial/ Enterprise Risk Management/ Pricing</td><td>100%</td></tr><tr><td>IT</td><td>Not applicable</td></tr></table> (The IT Department is excluded from this calculation as the training of its personnel is specific to Company needs and the type of technology implemented)	Lonpac expects its leaders to possess the right qualifications and skills to lead their employees. Towards this end, senior officers at the management level are expected to hold or take steps to acquire their professional qualification. To facilitate the acquisition of professional qualifications, Lonpac has granted full sponsorship for professional qualifications in the areas of insurance, accounting, IT and actuarial studies. At the same time, we also nominate staff to participate in the Malaysian Insurance Institute's Accelerated Professional Enhancement Programme ("APEP"). Staff participating in the programme are given 1.5 days of paid study leave each week for a period of two years. Over the past year, we have seen three staff members complete the programme with one staff currently completing the necessary requirements.
Staff productivity levels as measured by gross written premium income	To increase annual productivity levels measured in terms of gross written premium income per employee	2018: RM1.83 million per employee 2017: RM1.80 million per employee	Staff productivity is measured in terms of gross written premium income per employee. However, this is not the only benchmark used as our employees also play key ancillary roles that do not directly contribute to premium income.

WORKPLACE DIVERSITY

A workplace reflecting the diversity of our marketplace is a feature that is beneficial to our business in terms of decision-making and helping us ensure that our policies are representative of our customer base. A diverse workforce also helps us brainstorm new innovations and solutions as it will contain a wider variety of perspectives and viewpoints originating from each individual's respective background.

Our Workplace Diversity Policy makes a number of specific stipulations in the areas of:

- **Recruitment:** Individuals are to be employed based on the Group's requirements and needs, and matched to individual work experiences and qualifications. No consideration of race, religion or gender is to be made during the hiring process.
- **Operations:** Lonpac expects its officers to make conscious efforts to be inclusive in every activity held within the Group. This includes the composition of Management Committees as well as of other sub-groups.

To ensure that the goals of our Workplace Diversity Policy are met, a number of targets have been assigned to measure the diversity of our workforce.

Target Description	Target	Achievement (2018)	Rationale
Diversity of staff force as measured by the gender ratio	To have no fewer than 30% of staff from either gender	Male to Female ratio 35:65 (284 male employees: 519 female employees) (2017: 35:65)	Lonpac does not gender-discriminate during the recruitment process as the Company recognises the importance of having equal representation from both genders. While we strive for balance, we do not make recruitment decisions based on gender.
Gender diversity in leadership positions	To have no fewer than 30% of Management and Senior Management positions filled by women	Percentage of women leaders in: Senior Management positions: 21.43% (3 out of 14 places) (2017: 40.74%) Supervisory positions: 63.54% (420 out of 661 places) (2017: 63.75%)	Lonpac is committed to the empowerment of women in the workforce and provides equal opportunities to women to lead and be promoted based solely on merit. The retirement and resignation of several women leaders in our organisation had seen the ratio of women leaders fall to 21.43%, which is lower than our benchmark of 30%. Moving forward, we will look at improving the ratio to the stipulated benchmark.
Mothers returning to the workforce	To encourage at least 75% of mothers at the Management level to return to work following maternity leave	100% (2017: 100%)	Lonpac is committed to helping women balance their roles as both employee and mother. Where possible, we accommodate the needs of mothers to provide them with remote access during and after their maternity leave. We are also committed to the principle of non-discrimination, and mothers returning to work from maternity leave are given the same duties and responsibilities as before.

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EMPLOYEE WELFARE DEVELOPMENT

The welfare of our employees is directly correlated to staff morale, performance and productivity levels, and is a significant factor in improving employee retention. To ensure that their welfare and rights are protected at all times, we have enshrined the following key policy codes:

Whistleblowing Policy

Employees are expected to report any breaches in conduct, professional or otherwise, to the appropriate authority. Our Whistleblowing Policy is in place to ensure that they do not suffer any retribution for reporting such breaches.

Harassment Policy

Our Harassment Policy stipulates and defines the nature of harassment, and our zero-tolerance policy against any form of harassment.

Grievance Procedures

This written policy is a step-by-step how-to guide for employees who feel the need to report grievances they may have and seek redress.

We also play an active role in helping our employees build better lives by offering preferential interest rates for housing loans, interest subsidies on housing and vehicle loans as well as motor insurance coverage. These loans help our employees build meaningful lives for themselves and for their families. More than 700 loans worth over RM85 million have been disbursed to our employees since 1996. A total of 142 vehicle loans with interest subsidies have also been granted to staff since 2014.

Further supporting our efforts to build relationships between our employees is the Lonpac Sports Club, which is an employee-focused social club within Lonpac. The Sports Club's activities are typically physical, including team and individual sports, and family-oriented in nature.

Meanwhile, we expect our employees to conduct themselves with the highest levels of professionalism and ethics in their dealings with customers as well as with each other. As insurers, our relationship with our customers is built on a foundation of trust and our employees must uphold that trust in their conduct. These requirements are also stipulated in two key policy guides, namely our written Code of Conduct and Code of Ethics.

These documents are available to all employees in the Company's Document Management System.

WORKPLACE SAFETY

Employees' safety and well-being is one of our foremost concerns. We are committed to providing our staff with a safe workplace environment. Health and safety is administered primarily by the Occupational Safety and Health ("OSH") Committee.

Health and safety targets and benchmarks are detailed below.

Target Description	Target	Achievement (2018)	Rationale
Providing a safe working environment for employees	Ensuring zero accidents or injuries in the workplace or office area Securing all offices with security doors with access control	Reported accidents and injuries at: - Head Office: 0 - Branches: 0 All offices have security doors with access control	Keeping employees safe from accident or injury is a basic responsibility of any employer. The OSH Committee investigates and documents every accident or injury occurring in the workplace and updates safety procedures when necessary. The implementation of security doors with access control at all our offices also helps ensure that only authorised persons have access to the office and staff at all times.
Outfitting field employees with necessary Personnel Protective Equipment ("PPE")	To outfit all risk surveyors and dispatch personnel with appropriate PPE	All personnel provided with appropriate equipment	Our employees are occasionally required to be on-site to consult with clients or to inspect equipment and premises. These field employees are given appropriate training on the handling of equipment as well as standard operating procedures expected of them. These are outlined in a number of references and guides that are readily available to our staff.
Ensuring all offices observe OSH safety requirements and standards	All offices must meet with OSH safety requirements and standards	All offices meet requirements	Lonpac's offices and branches are checked every quarter to ensure that they observe OSH safety requirements and standards. The checks are undertaken by the OSH Committee, which examines the following items: - Worksite General Safety - First Aid Kit - Fire Extinguisher - Exit Routes - Walkways - Environmental Conditions - Electrical - Machine Guarding - Security - Equipment - Office Furniture - Floors Offices must also display Lonpac's OSH Policy Statement and display an Emergency Evacuation Route Map on every floor.
Employee medical cover	To provide medical coverage for all staff and their dependents	As at 31 December 2018, total medical costs for staff and their dependents came to 0.35% of LPI's profit before tax, as compared to 0.30% in 2017	Lonpac provides medical coverage to all our employees and family members to give them a safety net in the event of poor health or accidents. Our policy of extending coverage to family members also ensures that none of our employees will be burdened by the medical costs incurred by their loved ones.

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Lonpac conducts regular health and safety events together with partners to educate and promote health awareness among staff. We organise at the very least, one health event per quarter and at least one office-wide exercise programme annually. In 2018, the following events were held:

- In conjunction with World Osteoporosis Day, Lonpac organised free bone density tests and consultations in collaboration with a pharmaceutical company on 17 October 2018. The bone density tests were conducted by professional naturopaths using an ultrasound scanner to detect bone mass. Staff were also given free blood pressure tests and smoking cessation aids during the event.

- Lonpac organised a half-day talk on "Basic Office Ergonomics at the Workplace". The talk educated staff in understanding the importance of ergonomics and taught best practices while working on computers for prolonged periods of time.

- A Self Defence & Personal Safety Workshop was organised for staff to equip them with basic personal safety know-how and important life-saving skills. The training was designed to help staff avoid becoming victims of sexual harassment, abduction, robbery, bullying and violence.

- Lonpac organised a "EM•1 for A Healthy Life" talk for its staff to help educate them on the importance of microorganisms and their use in daily life. EM•1 contains live cultures of beneficial microbes which help eliminate harmful bacteria and are safe for humans, animals, plants, and the environment.

Finally, every Lonpac office including the head office and all branches are outfitted with Emergency Rescue Sets ("ERS"), with one set made available on every floor of our offices. The ERS contains a number of emergency equipment including a portable fire extinguisher, smoke masks, a fire blanket and a safety defensor.

IN THIS SECTION

Community Development

CSR PROGRAMMES

A total of

227 students

from 52 Chinese schools participated in the Chinese Essay Writing Competition 2018.

Yielded

54 pints

of this vital resource for Pusat Darah Negara.

COMMUNITY DEVELOPMENT

The Community Development pillar addresses economic and social risks and opportunities stemming from our presence in, and engagement with, our communities and society. As insurers, we play a particularly important role in helping them get back on their feet during their times of need. Our efforts support the national push to ensure insurance coverage for all levels of society, including those who are economically disadvantaged.

We believe that we operate within the context of a community, and are not ourselves a separate entity looking in. Investment in the community is therefore not only an investment in the people around us, but also an investment in our own sustainability. Rather than an act that goes above and beyond our core functions, Lonpac views community development as a natural extension of our activities as we recognise our obligation to help these communities become more sustainable entities. We have, over a number of years, worked on several initiatives under the heading of Corporate Social Responsibility ("CSR"), and these are now being reported in our sustainability framework.

EMPOWERING OUR COMMUNITIES

We have an obligation to empower less fortunate Malaysians to help them become more independent and reach their full potential in becoming productive and beneficial members of society. We therefore commit a substantial proportion of our charitable giving to organisations that actively seek to better the lives of persons facing obstacles and challenges in their daily lives, and to organisations dedicated to nurturing young persons.

We view our CSR programmes as a platform to empower and enrich our communities and by doing so, give back to them as a way of showing our appreciation for their continued support.

The communities not only function as our customers, but are also our employees, our business partners and other intermediaries who play a vital role in contributing to our success.

In 2018, the proceeds from our annual Lonpac E-Assist Charity Golf Tournament held at Kota Permai Golf and Country Club, Shah Alam, Selangor, raised RM41,200 from green fees and other contributions. These proceeds were donated to Persatuan Kebajikan Sri Eden Selangor dan Kuala Lumpur, a home for children with diverse learning difficulties due to behavioural problems, physical disorders and other underlying problems.

Lonpac continued to hold its regular Chinese Essay Writing Competition in 2018. Together with The China Press, we organised the competition for all primary schools students in Melaka. A total of 227 students from 52 Chinese schools participated in the competition. The competition is aimed at cultivating essay writing among schoolchildren as well as improving their language skills.

In addition, Lonpac also held its annual blood drive campaign in May 2018 to help replenish the stocks at Pusat Darah Negara. The campaign yielded 54 pints of this vital resource for those in need.

We also made contributions to the following organisations and events during the year:

- The National Autistic Society of Malaysia, following a staff visit to the home
- Persatuan Kanak-Kanak Istimewa Hulu Langat (PKKIHL)

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- Mount Miriam Cancer Hospital
- Hospice Klang Annual Charity Golf
- Blood Drive by Persatuan Penganut Dewa Tian Fa Gong
- PBSB Charity Bowling Tournament 2018
- Sutera Harbour 7K Charity Run 2018
- Intercollections Sdn Bhd's Blood Donation Campaign
- Rotary Club of Likas Bay for Project Smile in Cambodia
- Persatuan Kebajikan Damai Chempaka Kuala Lumpur dan Selangor's Charity Musical Concert Dinner 2018
- Eco World Foundation's Fund Raising 2018
- The 24-Hour Race Kuala Lumpur, a fundraising event designed to fight slavery and human trafficking
- Lovely Disabled Home, through our regular recycling project

Lonpac pays particular attention to organisations focused on encouraging active lifestyles, and made contributions to the following sporting events during the year:

- Seri Mengasih Heroes Run 2018, which was organised to raise funds for the Seri Mengasih Centre, a special developmental centre for the intellectually and developmentally disabled
- The 31st Sarawak Chief Minister's Cup (I) ITF Junior Circuit (Grade 1), organised by the Sarawak Lawn Tennis Association
- The 32nd Sarawak Chief Minister's Cup (II) ITF Junior Circuit (Grade 3), organised by the Sarawak Lawn Tennis Association
- An international-level Borneo Sevens 2018 Tournament, organised by Kelab Rugby Eagles, Sandakan
- The Sandakan Table Tennis Association, to support the development of the game among young schoolchildren as well as the Association's operating expenditure
- The Johari Cup Charity Golf Tournament 2018
- The Methodist Education Foundation Charity Golf Tournament

ENVIRONMENTAL

IN THIS SECTION

Environmental Conservation

ENVIRONMENTAL CONSERVATION

Lonpac's impact on the environment is relatively small compared to companies in other industries, but nevertheless, we believe that we should minimise our environmental impact where possible. Moreover, climate change can have a significant impact on our business, and we therefore have a vested interest in actively forwarding the goals of environmental conservation and raising greater awareness of the issues in our stakeholders. Our impact on the environment largely occurs in two areas: energy usage and paper use. These will, however, be largely mitigated by our transformation into a digital company, which will substantially increase our operational efficiency and cut down on our reliance on paper usage.

Following our decision to move to a paperless environment, we have managed to reduce the amount of paper used by the Accounts & Finance Department by 72%. Prior to the implementation of the initiative, the Department issued about 10,000 Statements of Account per month, which used up about 100,000 sheets of paper on average.

We also continue to use our Electronic Credit Payment ("ECP") system for our outgoing payments, which has reduced the issuance of cheques and hence, paper use. The table shows that the number of electronic payments has continued to rise while the number of cheque payments has stabilised.

Mode	2018		2017	
	No. of records	%	No. of records	%
ECP				
- Malaysia	**156,253**	**98**	142,008	98
- Singapore	**2,214**	**31**	1,823	27
Cheque				
- Malaysia	**3,102**	**2**	2,939	2
- Singapore	**4,981**	**69**	5,038	73

We are presently looking at ways to further reduce our paper usage via digital policies and certificates. Our "Go Green" project is presently at the exploratory phase, and more details will be made available upon its formal launch. In the meantime, the table below provides an overview of our paper usage.

	2018			2017		
Paper Usage	M'sia	S'pore	Total	M'sia	S'pore	Total
Paper Volume (Reams)	**40,618**	**1,737**	**42,355**	36,775	1,658	38,433
Number of Policies Written ('000)	**1,838**	**213**	**2,051**	1,685	211	1,896
Ratio (Reams per 1,000 Policies Written)	**22.10**	**8.15**	**20.65**	21.82	7.86	20.27

PAPER WASTE

Managed to reduce the amount of paper used by the Accounts & Finance Department by

72%

SUSTAINABILITY
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The data shows that our paper usage, as a ratio of the number of policies written, increased marginally to 20.65 reams per 1,000 policies written from 20.27 reams per 1,000 policies written a year ago. While the increase is negligible, the Sustainability Committee is nevertheless concerned that there has not been a decrease in the paper usage ratio. The Committee will explore the findings from 2018 in greater detail to see if there are ways to reduce paper usage in the coming years.

Paper usage is also expected to moderate with the intensification of the digitisation of our processes, e.g. increasing the issuance of paperless policies. We will monitor the situation closely over the next few years to ensure a steady reduction in our paper usage.

GETTING OUR PEOPLE INVOLVED

In addition to our policies, we actively encourage our employees to be more environmentally minded, and hold regular staff-wide environment-focused events. On 27 August 2018, staff were invited to participate in a Mud Ball Clean-up event at Taman Rimba Kiara, Taman Tun Dr. Ismail, Kuala Lumpur. Participants were given treated mud balls to disperse into the lake as part of an effort to improve the biodiversity of the lake. A total of 95 staff participated in the programme.

Lonpac staff also participated in the Neubodi Bra Drive that collected underwear for underprivileged women in Africa and Nepal. Bras that were deemed unusable were recycled into fibre or bio-fuel that will be used to power cement kilns and industrial boilers.

Finally, we have taken notice of the growing global concern over the impact of plastic on the environment, particularly on our oceans and seas. As it takes the substance between 500 and 1,000 years to break down, plastic leaching into the ecosystem has substantial and long-term impact. Moreover, plastic manufacturing releases chemicals and pollutants into the ecosystem that have potentially hazardous effects on the environment.

Under Lonpac Cares, the Company is keen on doing its part in forwarding the goals of environmental conservation, including reducing plastic pollution. In line with this goal, the Company is no longer supplying drinking water packed in plastic, either in bottles or plastic cups, for meetings or functions. All staff are also encouraged to reduce plastic usage at home and in the office.

MOVING FORWARD

The LPI Group is aware that the demands of sustainability change in line with the operating environment. In our case, the biggest variables are the volatile market operations due to liberalisation and global financial uncertainty as well as the changing demographic in Malaysia. The combination of these factors has led us to make several changes in the way we operate and do business in order to remain sustainable and relevant to our stakeholders.

We remain committed to our core tenet of being a positive agent of change in the markets where we operate, and we take our EES commitments extremely seriously. Regardless of market conditions, we will remain committed to the principles of financial inclusivity, to the improved welfare of our people, to the betterment of our communities and to the reduction of our impact on the environment. These commitments form the core of our Group vision, and are non-negotiable.

One change that we will see in the coming years will be our reporting style, which will be aligned with the <IR> Framework requirements by 2020. There will be greater integration between our sustainability and operational activities so that investors will have a better perspective on how sustainability is affecting our operations. While the transition will pose new challenges for the Sustainability Committee, we believe that the effort will be worthwhile and we look forward to presenting you with our new integrated report in 2020.

BOARD OF **DIRECTORS**

Tan Sri Dato' Sri Dr. Teh Hong Piow
Non-Independent Non-Executive Chairman

BOARD OF DIRECTORS

Mr. Tee Choon Yeow
Independent Non-Executive Co-Chairman

Mr. Tan Kok Guan
Chief Executive Officer/ Executive Director

Mr. Lee Chin Guan
Independent Non-Executive Director

Mr. Quah Poh Keat
Non-Independent Non-Executive Director

Ms. Chan Kwai Hoe
Independent Non-Executive Director

Ms. Soo Chow Lai
Independent Non-Executive Director

Ms. Kong Thian Mee
Company Secretary

BOARD OF
DIRECTORS' PROFILE

Tan Sri Dato' Sri Dr. Teh Hong Piow

Non-Independent Non-Executive Chairman
PSM, SSAP, SPMJ, SIMP, SSIJ, DSAP, DPMJ,
Datuk Kurnia Sentosa Pahang, JP
Hon LLD (M'sia); EFMIM (M'sia); Fellow, AICB;
FCIB (UK); FGIA (Aust); CCMI (UK); FICM (UK);
FInstAM (UK); D.Univ *Sunway h.c.*

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 88, male, was appointed to the Board of the Company on 27 September 1971. He retired from the Board of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company on 8 January 2019 and remains as the Chairman of the Company. Presently, Tan Sri Dato' Sri Dr. Teh serves as Chairman of the Investment Committee of the Company.

Tan Sri Dato' Sri Dr. Teh is a banker by profession. He began his banking career in 1950 and has 69 years' experience in the banking and finance industry. He founded Public Bank Berhad in 1965 at the age of 35.

Tan Sri Dato' Sri Dr. Teh had won both domestic and international acclaim for his outstanding achievements as a banker and the Chief Executive Officer of a leading financial services group. Awards and accolades that he had received include:

- Asia's Commercial Banker of the Year 1991
- The ASEAN Businessman of the Year 1994
- Malaysia's Business Achiever of the Year 1997
- Malaysia's CEO of the Year 1998
- Best CEO in Malaysia 2004
- The Most PR Savvy CEO 2004
- The Asian Banker Leadership Achievement Award 2005 for Malaysia
- Award for Outstanding Contribution to the Development of Financial Services in Asia 2006
- Lifetime Achievement Award 2006
- Award for Lifetime Achievement in Corporate Excellence, Dedication and Industry 2006
- Asia's Banker of High Distinction Award 2006
- The BrandLaureate Brand Personality Award 2007
- ASEAN Most Astute Banker Award 2007
- Lifetime Entrepreneurship Achievement Award 2007
- The Pila Recognition Award 2007
- Asian Banker Par Excellence Award 2008
- Best CEO in Malaysia 2009
- Asia's Banking Grandmaster 2010
- Asian Corporate Director Recognition Award 2010 for Malaysia
- Value Creator: Malaysia's Outstanding CEO 2010

BOARD OF
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- The BrandLaureate - Tun Dr. Mahathir Mohamad Man of the Year Award 2010-2011
- Best CEO (Investor Relations) 2011 for Malaysia
- Asian Corporate Director Recognition Award 2011 for Malaysia
- The BrandLaureate Premier Brand Icon Leadership Award 2011
- Best CEO (Investor Relations) 2012 for Malaysia
- Asian Corporate Director Recognition Award 2012 for Malaysia
- Best CEO (Investor Relations) 2013 for Malaysia
- Asian Corporate Director Recognition Award 2013 for Malaysia
- BrandLaureate Banker of the Year Award 2012-2013
- Best CEO (Investor Relations) 2014 for Malaysia
- Asian Corporate Director Recognition Award 2014 for Malaysia
- Banker Extraordinaire 2015
- Global Chinese Entrepreneur Lifetime Achievement Award 2015
- BrandLaureate "Icon of Icons - The King of Banking"
- Asia's Best CEO (Investor Relations) 2015 for Malaysia
- William "Bill" Seidman Lifetime Leadership Achievement in Financial Service Industry Award 2015
- Asian Corporate Director Recognition Award 2015 for Malaysia
- Asia's Best CEO (Investor Relations) 2016 for Malaysia
- Asian Corporate Director Recognition Award 2016 for Malaysia
- Asia's Best CEO (Investor Relations) 2017 for Malaysia
- Asian Corporate Director Recognition Award 2017 for Malaysia
- The Greatest Malaysian Banker of All Time
- Asia's Best CEO (Investor Relations) 2018 for Malaysia
- The BrandLaureate Hall of Fame - Lifetime Achievement Award 2018 - Man of the Year
- Grand Prix D'Excellence Brand Leadership Award in Banking
- The Best of Best in Brand Leadership Award 2018 - Overall Championship
- Asian Corporate Director Recognition Award 2018 for Malaysia

Tan Sri Dato' Sri Dr. Teh was awarded the Medal 'For the Course of Vietnamese Banking' by the State Bank of Vietnam in 2002 for his contributions to the Vietnamese banking industry over the past years. Tan Sri Dato' Sri Dr. Teh was conferred the Recognition Award 2007 by the National Bank of Cambodia in appreciation of his excellent achievement and significant contribution to the banking industry in Cambodia.

Tan Sri Dato' Sri Dr. Teh was conferred the Royal Order of Monisaraphon, Commander by The Royal Government of The Kingdom of Cambodia in 2016, in recognition of his outstanding leadership and immense social economic contributions towards the progress and development of Cambodia over the last 24 years. He is the first Malaysian banker ever to receive the Royal Order.

Tan Sri Dato' Sri Dr. Teh was awarded the "Medal for the Development of Vietnam Banking Industry" in 2017 by the State Bank of Vietnam in recognition for his manifold contribution to the construction and development of Vietnam's banking industry. Tan Sri Dato' Sri Dr. Teh is the first foreign Banker in Vietnam to be awarded this medal.

In recognition of his contributions to society and the economy, he was conferred the Doctor of Laws (Honorary) from University of Malaya in 1989.

Tan Sri Dato' Sri Dr. Teh was conferred The Honorary Doctor of The University by The Board of Directors and The Academic Senate of Sunway University on 28 January 2019, in recognition of his distinction as one of the leading bankers of Malaysia, having founded and overseen the evolution of Public Bank into a modern and integrated financial institution, and for his outstanding contribution to the growth of the financial services industry of Malaysia.

Tan Sri Dato' Sri Dr. Teh had served in various capacities in public service bodies in Malaysia; he was a member of the Malaysian Business Council from 1991 to 1993; a member of the National Trust Fund from 1988 to 2001; a founder member of the Advisory Business Council since 2003; and is a member of the IPRM Accreditation Privy Council.

He is an Emeritus Fellow of the Malaysian Institute of Management and is a Fellow of the Asian Institute of Chartered Bankers; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; and the Governance Institute of Australia.

He is the Founder, Chairman Emeritus, Director and Adviser of Public Bank Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad. His directorships in other companies are as Chairman of Public Mutual Berhad, Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd, Cambodian Public Bank and several other subsidiaries of Public Bank Berhad. He is a Director of Public Investment Bank Berhad and Public Islamic Bank Berhad, both subsidiaries of Public Bank Berhad.

Tan Sri Dato' Sri Dr. Teh attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.

Mr. Tee Choon Yeow

Independent Non-Executive Co-Chairman
B.Com.; CA (NZ); CA (M'sia); FCPA (Aust)

Mr. Tee Choon Yeow, aged 66, male, was appointed to the Board of the Company on 29 October 1991. He was the Chief Executive Officer/ Executive Director of the Company until he retired in 2013 and thereafter served as a Non-Independent Non-Executive Director (NINED) of the Company. Mr. Tee was re-designated as Independent Non-Executive Director with effect from 1 March 2015 and appointed as Co-Chairman of the Company on 8 July 2015. He is also a NINED and Chairman of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company. Presently, Mr. Tee serves as Chairman of the Nomination & Remuneration and Risk Management Committees of the Company and a member of the Audit Committee of the Company.

Mr. Tee holds a Bachelor's Degree in Commerce from the University of Canterbury, New Zealand. He joined the Company as an Accountant in 1980. He is a Chartered Accountant of the Institute of Chartered Accountants, New Zealand and the Malaysian Institute of Accountants and a Fellow of the CPA Australia.

Mr. Tee attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.

Mr. Tan Kok Guan

Chief Executive Officer/ Executive Director
Chartered Insurer
B.Sc. (Hons.); MBA; ACII; AMII

Mr. Tan Kok Guan, aged 62, male, was appointed to the Board of the Company on 29 October 1996. He was an executive director of the Company from October 1996 to May 1999 and thereafter served as a Non-Independent Non-Executive Director to July 2013. He was appointed as Chief Executive Officer/ Executive Director of the Company with effect from 8 July 2013. Presently, Mr. Tan serves as a member of the Investment Committee of the Company.

Mr. Tan holds a Bachelor's Degree with Honours in Science from the University of London, United Kingdom and a Master's Degree in Business Administration from the University of Hawaii. He is also a Chartered Insurer of the Chartered Insurance Institute in London and an Associate of the Malaysian Insurance Institute in Kuala Lumpur.

Mr. Tan attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.

BOARD OF DIRECTORS' PROFILE

Mr. Lee Chin Guan

Independent Non-Executive Director
B.Sc. (Hons); BCL (Oxon); LLM (Cantab);
JD (Chicago-Kent); Barrister-at-Law (Middle Temple)

Mr. Lee Chin Guan, aged 60, male, was appointed to the Board of the Company on 8 October 2015. He is also an Independent Non-Executive Director (INED) of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company. As Mr. Lee had left the Board of LPI for 8 years from October 2007 to October 2015, he is deemed as Independent Non-Executive Director commencing his appointment from 8 October 2015 as advised by Securities Commission. Presently, Mr. Lee serves as Chairman of the Audit Committee and a member of the Risk Management and Nomination & Remuneration Committees of the Company.

Mr. Lee qualified as a Barrister-at-Law from the Middle Temple, United Kingdom in 1982. He also holds a Bachelor's Degree in Science (Hons.) from the University of Manchester Institute of Science & Technology, England and Degrees in Law from Cambridge University, Oxford University and Chicago-Kent College of Law.

His directorships in other companies are as Director of Public Bank Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad; Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd and Public Finance Ltd.

Mr. Lee attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.

Mr. Quah Poh Keat

Non-Independent Non-Executive Director
FCCA (UK); CA (M'sia); CPA (M'sia);
ACMA (UK); Fellow MIT (M'sia)

Mr. Quah Poh Keat, aged 66, male, was appointed to the Board of the Company on 2 January 2009. He is also a Non-Independent Non-Executive Director of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company. Presently, Mr. Quah serves as a member of the Nomination & Remuneration and Risk Management Committees of the Company.

He is a Fellow of the Chartered Tax Institute of Malaysia and the Association of Chartered Certified Accountants; and a Member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Mr. Quah was a partner of KPMG since October 1982 and was appointed Senior Partner (also known as Managing Partner in other practices) in October 2000 until 30 September 2007. He retired from the firm on 31 December 2007.

Mr. Quah is experienced in auditing, tax and insolvency practices and has worked in Malaysia and the United Kingdom; his field of expertise includes restructuring, demergers and privatisation.

Mr. Quah had served as the Deputy Chief Executive Officer of Public Bank Berhad from 1 October 2013 until 31 December 2015. His directorships in other companies are as Director of Public Mutual Berhad, Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd, Cambodian Public Bank Plc, Campu Lonpac Insurance Plc and Campu Securities Plc, and other subsidiaries of Public Bank Berhad. His directorships in other public companies listed on the Main Market of Bursa Malaysia Securities Berhad include Kuala Lumpur Kepong Berhad, Paramount Corporation Berhad and Malayan Flour Mills Berhad.

Mr. Quah attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.

Ms. Chan Kwai Hoe

Independent Non-Executive Director
BEc (Hons) Analytical Econs

Ms. Chan Kwai Hoe, aged 62, female, was appointed to the Board of the Company on 1 July 2015. She is also an Independent Non-Executive Director of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company. Presently, Ms. Chan serves as a member of the Audit, Nomination & Remuneration and Risk Management Committees of the Company.

Ms. Chan holds a Bachelors Degree in Analytical Economics, University of Malaya (Honours).

Ms. Chan has gained extensive experience during her tenure with Bank Negara Malaysia (BNM). She has been involved in operations and policy formulation relating to the insurance industry, as well as in supervision, having overseen the financial health and proper market conduct of a select group of insurers, brokers and adjusters. She was also in charge of the Learning, Knowledge and Customer Relationship Management of 13 departments of BNM, and managed a project to put in place the Financial Services Act 2013 and Islamic Financial Services Act 2013.

She retired from BNM in May 2012 and acted as Advisor to the Chief Executive Officer of Perbadanan Insurans Deposit Malaysia, mainly on issues relating to FIDE (Financial Institutions Directors' Education Programme) Forum until March 2013.

Ms. Chan attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.

Ms. Soo Chow Lai

Independent Non-Executive Director
BA Econs (Hons)

Ms. Soo Chow Lai, aged 66, female, was appointed to the Board of the Company on 1 August 2018. Presently, Ms. Soo serves as a member of the Audit and Risk Management Committees of the Company.

Ms. Soo holds a Bachelor of Arts – Econs (Honours) Degree.

Ms. Soo worked in Malaysian National Reinsurance Bhd and its Associated Company, Labuan Reinsurance (L) Ltd for about 30 years in various senior positions. She has extensive experience in reinsurance underwriting, claims evaluations and settlements, investment of insurance and shareholders funds and property management. She also travelled widely for business development both locally and internationally during which had close networking with many senior executives of insurance and reinsurance companies, brokers, bankers, stockbrokers and asset managers. As a member of the Senior Management team, Ms. Soo was involved in policy decisions of the companies, besides frequent interaction with Board members and shareholders.

Ms. Soo attended 3 Board Meetings which were held during the financial year ended 31 December 2018.

COMPANY SECRETARY

Ms. Kong Thian Mee

Company Secretary
FCIS

Ms. Kong Thian Mee, female, aged 49, was appointed as Company Secretary of LPI Group on 1 August 2000 and heads the Group's Secretariat Department. She relinquished her position as Company Secretary of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd (Lonpac), a public company, and remains as Company Secretary of the Company with effect from 10 April 2017. She is the Secretary for all the Board Committees of the Company. She is also a member of the Investment Committee of the Company. Further, Ms. Kong is the Company Secretary of an associate company, Campu Lonpac Insurance Plc.

Ms. Kong is a Chartered Secretary (ICSA) and a Fellow of The Malaysian Institute of Chartered Secretaries and Administrators.

NONE OF THE DIRECTORS HAS :

- *Any family relationship with any Director and/ or major shareholder of LPI Capital Bhd.*
- *Any conflict of interest in any business arrangement involving LPI Capital Bhd.*
- *Any convictions for any offences within the past 5 years other than traffic offences.*
- *Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

All the Directors are Malaysians.

KEY SENIOR
MANAGEMENT PROFILE

Tan Kok Guan

Chief Executive Officer/ Executive Director
(LPI Capital Bhd)

Age: 62
Nationality: Malaysian
Gender: Male

Working Experience:
Mr. Tan Kok Guan, was appointed to the senior management position of LPI Capital Bhd ("LPI") on 1 March 1994. He was an executive director of LPI from October 1996 to May 1999 and thereafter served as a Non-Independent Non-Executive Director to July 2013. He was appointed as Chief Executive Officer/ Executive Director of LPI with effect from 8 July 2013.

Mr. Tan held the position of Executive Director of LPI's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company, until his retirement on 7 January 2018.

Mr. Tan does not hold any directorship in any other public listed companies.

Mr. Tan holds a Bachelor's Degree with Honours in Science from the University of London, United Kingdom and a Master's Degree in Business Administration from the University of Hawaii. He is also a Chartered Insurer of the Chartered Insurance Institute in London and an Associate of the Malaysian Insurance Institute in Kuala Lumpur.

Looi Kong Meng

Chief Executive Officer/ Executive Director
(Lonpac Insurance Bhd)

Age: 59
Nationality: Malaysian
Gender: Male

Working Experience:
Mr. Looi Kong Meng, was appointed to the senior management position when he joined Lonpac as a Chief Operating Officer on 1 February 2008. He has more than 40 years of experience in the general insurance industry. Mr. Looi was promoted to Chief Executive Officer in 2013. He was appointed to the Board of Lonpac Insurance Bhd as Executive Director with effect from 8 January 2018.

Mr. Looi does not hold any directorship in LPI or in other public listed companies.

Mr. Looi is a Chartered Insurer and Associate of both the Chartered Insurance Institute (ACII) and the Malaysian Insurance Institute (AMII).

Chuang Chee Hing

Deputy Chief Executive Officer
(Lonpac Insurance Bhd)

Age: 56
Nationality: Malaysian
Gender: Male

Working Experience:
Mr. Chuang Chee Hing, was appointed to the senior management position on 1 January 1993. He has more than 30 years of experience in the general insurance industry. He was appointed as Chief Operating Officer of Lonpac in 2013 and rose to his present position as Deputy Chief Executive Officer on 1 January 2018.

Mr. Chuang does not hold any directorship in LPI or in other public listed companies.

Mr. Chuang is a holder of a Bachelor's Degree with Honours in Science (Education) from Universiti Sains Malaysia.

NONE OF THE KEY SENIOR MANAGEMENT MEMBERS HAS:

- *Any family relationship with any Director and/or major shareholder of LPI.*
- *Any conflict of interest in any business arrangement involving LPI.*
- *Any convictions for any offences within the past 5 years other than traffic offences.*
- *Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

HEADS OF DEPARTMENT

LONPAC INSURANCE BHD

(Wholly-owned subsidiary of LPI Capital Bhd)

BUSINESS DEVELOPMENT DIVISIONS

Yow Kai Fook
B. Chem. Eng.
Agency and Financial Institution
– Senior General Manager

Lim Sun
B. Sc.
Business Unit
– Business Advisor

Goh Siew Keng
Chartered Insurer, B. Econs. (Hons.), ACII, AMII
Broking, Global Partnership and Reinsurance
– General Manager

Raymond Tan Soo Boon
Chartered Insurer, B.A. Econs (Hons.), ACII, AMII
Branches Strategic Performance
– General Manager

Ernie Bak Hock Liang
B. Econs.
Digital Strategy
– Senior Manager

Kevin Wong Vui Khong
B. Sc.
Trade Credit
– Director

Noor Hayati Yaacob
B.A. International Relations
Customer Service
– Manager

Quek Sun Hui
Chartered Insurer, B. Eng (Civil), MBA, ACII
Foreign Branch, Singapore
– Chief Executive

TECHNICAL DIVISIONS

Peter Puah Boon Kee
B.E. (Civil) (Hons.)
Underwriting
– General Manager

Sallehuddin Marzuki
B.B.A. (Insurance)
Underwriting I
– Assistant General Manager

Foong Heng Wah
B.E. (Civil), AAII
Underwriting II
– Assistant General Manager

Voon Wing Chuan
Chartered Insurer, B.A. (Econs.) (Hons.), MBA, ACII, AMII, ANZIIF (Snr. Assoc.)
Claims
– Assistant General Manager

Chew Han Wah
B. Com. (Hons.), FIAA, FASM
Actuarial
– Senior Manager

Alvin Lim Jun Sum
B.A. Actuarial Science
Pricing
– Manager

Lee Chiew Lai
B. Sc.
Enterprise Risk Management
– Manager

HEADS OF DEPARTMENT

LONPAC INSURANCE BHD

(Wholly-owned subsidiary of LPI Capital Bhd)

PORTFOLIO MANAGEMENT DIVISION

Sonny Tan Siew Hock
Chartered Insurer, MBA, ACII, AMII, HIA
Health & Accident
– General Manager

INTERNAL AUDIT

Irene Hwang Siew Ling
B. Acc. (Hons.), CA (M'sia), CPA (M'sia), CMIIA
Internal Audit
– General Manager

SUPPORT DIVISIONS

Harry Lee Chee Hoong
ANZIIF (Snr. Assoc.)
Group Finance & Corporate Services
– General Manager

Tammy Kong Thian Mee
Chartered Secretary (FCIS)
Group Secretariat and Human Resource
– General Manager

Ivy Perera
B. Sc. (Hons.)
Information Technology
– Deputy General Manager

Ng Seng Khin
B. Acc. (Hons.), CA (M'sia)
Accounts & Finance
– Assistant General Manager

Emily Tan Chooi Hua
Dip. Bus. & Mgt.
Administration
– Director

Vijayan Ramanjulu
LLB
Compliance & Legal
– Director

Lim Wai Cheng
CAHRI, Dip. Bus. Admin.
Employment Management
– Manager

Charmaine Chan Wai Mun
CAHRI, B.A. HR. Mgt.
Employees Welfare
– Manager

Shanice Goh Ooi Yean
ACIS
Secretariat
– Manager

Fong Pei Wei
B. Comm. (Hons.)
Training
– Manager

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Group remains resolute in ensuring uncompromised integrity and performance with a good record of delivering long-term sustainability and creating economic value for its shareholders as well as protecting other stakeholders' interests.

The Board of Directors ("Board") and Management of LPI Group strongly uphold the highest standards of corporate governance and affirm that good corporate governance is vital to the continuous growth of the LPI Group. The Group remains resolute in ensuring uncompromised integrity and performance with a good record of delivering long-term sustainability and creating economic value for its shareholders as well as protecting other stakeholders' interests.

As a public company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") with an insurance subsidiary, Lonpac Insurance Bhd ("Lonpac"), licensed under the Financial Services Act 2013 ("FSA"), LPI Group conforms to the requirements, principles and best practices of corporate governance established by the following:

- Bursa Securities' Main Market Listing Requirements ("LR")
- Policy Document on Corporate Governance ("Policy Document") issued by Bank Negara Malaysia ("BNM")
- The Malaysian Code on Corporate Governance ("MCCG") issued by Securities Commission Malaysia

MCCG PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

The Board is fully committed to ensuring that the highest standards of corporate governance are observed throughout the Group so that the affairs of the Group are conducted in a transparent and objective manner with full accountability and integrity to safeguard stakeholders' interest.

I DIRECTORS

The Board

The Board is responsible for the overall governance of the Group by providing strategic guidance and putting in place succession plans of the Group, the effective monitoring of management goals, accountability to the Group and shareholders as well as ensuring that the Group's internal controls, risk management and reporting procedures are well in place. The Board Members exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied through compliance with relevant rules and regulations, directives and guidelines in addition to adopting the Policy Document issued by BNM and MCCG issued by Securities Commission Malaysia, and act in the best interests of the Group and its shareholders.

The Board Members are attentive to applying high ethical standards in their decision-making, taking into account the interests of all stakeholders.

Board Charter

The primary objective of the Company's Board Charter ("Charter") is to set out the mandate, responsibilities and procedures of the Board in accordance with the principles of good corporate governance stated in the policy documents, guidelines and requirements issued by regulatory authorities. The Board is guided by the Charter which provides a reference for directors in relation to the Board's role, powers, duties and functions. The Charter also outlines processes and procedures for the Board to be effective and efficient. The Board had revised the Charter on 25 October 2017 to ensure it remains consistent with the Board's objectives and responsibilities, and all the relevant standards of corporate governance. A copy of the Charter is available on the Company's website at www.lpicapital.com.

The Charter encompasses the following main areas:

- Board Size and Composition.
- Position Description for Chairman, Co-Chairman, Chief Executive Officer ("CEO")/ Executive Director and Non-Executive Director(s).
- Board Committees.
- The Responsibilities of the Board/ Formal Schedule of Matters that are reserved for the Board's Deliberation and Decision Making.
- Conduct of Board Meetings.
- Access to Information and Independent Advice.
- Directors' Training and Continuing Education.
- Time Commitment.
- Board Policies.
- Review of Charter.

Board Composition, Diversity and Independence

In 2018, the Board consists of 7 members of which one member is an Executive Director cum CEO. Out of the 6 remaining Non-Executive Directors, 4 are independent directors. The present composition complies with the composition requirement as stated in Bursa Securities' Main Market LR as more than 1/3 of the Board Members are independent directors.

The Independent Non-Executive Directors do not engage in the day-to-day management of the Group and do not participate in any business dealings and are not involved in any other relationship with the Group that could reasonably be perceived to materially interfere with their exercise of unfettered and independent judgement. This is to enable the Independent Non-Executive Directors to discharge their duties and responsibilities effectively and to avoid any conflict of interest situations. The Independent Non-Executive Directors also provide independent and objective views, assessment and suggestions in deliberations of the Board, and ensure effective check and balance in the functioning of the Board.

There is a clear division of roles and responsibilities between the Chairman/ Co-Chairman and the Executive Director cum CEO. The terms of reference of the Non-Independent Non-Executive Chairman and the Independent Non-Executive Co-Chairman are distinct and separate from the duties and responsibilities of the Executive Director cum CEO to ensure a balance of power and authority in an effective Board.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman of LPI, is widely acclaimed both domestically and internationally as a banking grandmaster. He has received numerous awards for his par excellence achievements as a banker, CEO and transformational leader. Tan Sri Dato' Sri Dr. Teh Hong Piow has received countless prestigious awards in recognition of his significant contributions to the banking and finance industries, and for his socioeconomic development initiatives, both locally and abroad.

Mr. Tee Choon Yeow, the Independent Non-Executive Co-Chairman, was the CEO of the Company, prior to his retirement in 2013. He possesses extensive knowledge and experience in the insurance industry through his long service with the Group. He was appointed as Co-Chairman of the Board on 8 October 2015.

Mr. Tan Kok Guan, the CEO/ Executive Director, is a Chartered Insurer and an Associate Member of both the Chartered Insurance Institute in London and Malaysian Insurance Institute in Kuala Lumpur, Malaysia. His vast experience and depth of knowledge of the insurance industry has contributed to strategic leadership to the Management and Group.

The other 4 Non-Executive Directors, Mr. Quah Poh Keat, Ms. Chan Kwai Hoe, Mr. Lee Chin Guan and Ms. Soo Chow Lai are professionals in their own right with wide-ranging experiences, skills and expertise in various fields.

The profiles of the Members of the Board are presented on pages 84 to 88 of this Annual Report.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

According to the Company's Board Diversity Policy, the Board recognises diversity as an important criterion that is used to determine board composition and to ensure that different perspectives are considered for Board effectiveness and strength. Increasingly, diversity is considered an essential measure of good governance and is a critical attribute of a well-functioning board. Board diversity includes gender, ethnicity, age, business experience, skills and cultural background. Diversity leads to the consideration of all facets of an issue and, consequently, better decisions and performance. The Board has considered appropriate targets in the achievement of Board Diversity Policy including gender balance on the Board and takes the necessary measures to meet these targets from time to time as appropriate. The Board had on 1 August 2018 appointed an additional female Director, in moving towards 30% women participation on the Board.

The Board and the Nomination & Remuneration Committee, in reviewing and assessing suitable candidates for the Board and in performing annual assessment on each Director, would be guided by the above policy on diversification.

The Board has put in place an annual performance evaluation process and delegated the authority to the Nomination & Remuneration Committee to assess the effectiveness of the Board and Board Committees, the performance of individual Directors as well as each Audit Committee member, based on the assessment factors stated in the Company's internal policies approved by the Board.

The Nomination & Remuneration Committee would deliberate on the results of assessment and submit to the Board for approval.

The Nomination & Remuneration Committee conducts the annual performance assessment via peer review, guided by the following process:

Each individual Director completes an annual declaration of fitness & propriety

▼

Declaration form completed by individual Director forwarded to the Nomination & Remuneration Committee for fit and proper assessment

▼

Based on evaluation forms approved by the Board and fit and proper declaration by each Director, the Nomination & Remuneration Committee carries out:

- fit and proper assessment on each individual Director
- assessment on the Board as a whole and each Board Committee by benchmarking the activities carried out by the Board and respective Board Committee against the Board Charter and the terms of reference of each Board Committee

▼

Nomination & Remuneration Committee collates the results of the assessments and submits to the Board for deliberation and approval

The Nomination & Remuneration Committee has developed the following assessment criteria for the assessment of the independence of the Independent Directors as per:

- Bursa Securities' Main Market LR; and
- The Board Charter.

The Board has also established a policy on maximum tenure of 9 years for Independent Directors.

The annual performance evaluation on Independent Directors by peers and the Nomination & Remuneration Committee is guided by the following process:

Each individual Independent Director completes an annual declaration of independence

▼

Declaration form completed by individual Independent Director forwarded to the Nomination & Remuneration Committee for independence assessment

▼

Based on evaluation forms approved by the Board and independence declaration by each Independent Director, the Nomination & Remuneration Committee carries out an assessment of the independence of each individual Director

▼

Nomination & Remuneration Committee collates the results of the assessments and submits to the Board for deliberation and approval

Code of Conduct and Ethics for Directors

The Board has established a Code of Conduct and Ethics for Directors ("Code") that aims to outline the standards of business conduct and ethical behaviour which the Directors should possess in discharging their duties and responsibilities, and to enhance the high standards of personal integrity and professionalism of the Directors.

The Code is based on the following principles:

- Compliance with legal and regulatory requirements, and Group's policies;
- Integrity;
- Observance of Board Charter;
- Objectivity;
- Duty to act in the best interests of the Group;
- Confidentiality; and
- Competence;
- Fairness.

In addition, the Board also adopted the Policy on Directors' Conflict of Interest, aim at guiding the Board in managing directors' conflict of interest.

Directors should observe the following to avoid conflict of interest:

- Not making improper use of information;
- Not making secret profits;
- Observing duty of disclosure in relation to contracts with the Company pursuant to relevant regulatory requirements;
- Observing duty of disclosure by written notice to the Board and Company Secretary on material transactions or material arrangements with the Group;
- Observing duty to refrain from participation and voting where a Director has a direct or indirect interest; and
- Complying with related party transactions provisions pursuant to relevant statutory requirements.

Directors are required to disclose actual or perceived conflict of interest by way of written notice and refrain from attempting to influence any decisions in which they may have or be perceived to have a conflict of interest. Directors manage conflict of interest by the following:

- Disclose conflict of interest;
- Manage and control the conflict; and
- Refrain from any activity where necessary to avoid conflict of interest.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

Directors will disclose existing or perceived conflicts of interest prior to the commencement of each Board Meeting. The Company Secretary will respond to disclosures by:

- Recording in the minutes of the meeting a Director's disclosure of a conflict of interest relating to particular agenda items; and
- Recording in the minutes of the next meeting a Director's conflict of interest disclosure made outside of meeting times.

A copy of the Code and Policy on Directors' Conflict of Interest is published on the Company's website at www.lpicapital.com.

Duties and Responsibilities of the Board
The core responsibilities of the Board include reviewing and approving the Group's business strategies and plans, significant policies, and monitoring the Management's performance in implementing them.

In carrying out their duties and responsibilities, the Board exercises great care to ensure that high ethical standards are upheld, and that the interests of stakeholders are not compromised. The Board Members are constantly mindful that the interests of the Group's stakeholders are protected.

The Board's principal functions include the following responsibilities:

- Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.
- Ensure that Management has the necessary skills and experience, and that there are measures in place to provide for the orderly succession of Board and Management.
- Oversee the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in the light of material changes to the size, nature and complexity of the Company's operations.
- Promote, together with Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour.
- Promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies. Also ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.
- Oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.
- Review, challenge and decide on Management's proposals for the Company, and monitor its implementation by Management.
- Supervise and assess management performance to determine whether the business is properly being managed.
- Ensure there is a sound framework for internal controls and risk management.
- Understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks.
- Ensure the integrity of the Company's financial and non-financial reporting.
- Ensure that the Company has in place procedures to enable effective communication with stakeholders.

The Chairman, in leading the Board in its collective oversight of management, is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman:	- manages the interface between Board and Management and provides support and guidance to Management Officers to help facilitate management succession planning. - grooms and mentors Management Officers to achieve consistently high levels of professionalism and excellent performance. - provides leadership to the Board and is responsible for the developmental needs of the Board. - ensures that appropriate procedures are in place to govern the Board's operation. - leads the Board in establishing and monitoring good corporate governance practices in the Company.
The Co-Chairman:	- ensures the smooth functioning of the Board and the governance structure, and inculcates a positive culture in the Board. - ensures that procedures and processes are in place to facilitate effective conduct of business by the Board. - chairs Board meetings and encourages active participation and healthy discussion to ensure that dissenting views can be freely expressed and discussed. - ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis. - provides leadership to the Board and is responsible for the developmental needs of the Board. - chairs general meetings of the Company and provides clarification on issues that may be raised by the shareholders. - ensures that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.
The CEO/ Executive Director is responsible for:	- the business and day-to-day management of the Company; - providing leadership to Management; - formulating strategic vision and business directions for the Company; - developing and implementing corporate strategies to meet performance targets without neglecting longer-term growth opportunities of the Company; - ensuring that Board decisions and policies set for the Management by the Board are implemented effectively; and - keeping the Board well informed of salient aspects and issues concerning the Company's operations and ensuring that adequate management reports are submitted to the Board.

CORPORATE GOVERNANCE
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The 4 Independent Non-Executive Directors, by virtue of their roles and responsibilities, in effect represent the minority shareholders' interests in LPI Group. The Independent Non-Executive Directors engage proactively with the Management and with both the external and internal auditors. This is particularly so in the case of Mr. Tee Choon Yeow who is the Chairman of the Risk Management Committee and Mr. Lee Chin Guan who is the Chairman of the Audit Committee.

The Independent Non-Executive Directors play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making. They also serve to inspire and challenge the Management in an objective and constructive manner. In enhancing the function of the Independent Non-Executive Directors, the Board has also defined their roles and responsibilities to include the following:

- Provide independent and objective views, assessment and suggestions in Board's deliberations;
- Act as a bridge between Management and stakeholders, particularly shareholders and ensure that the Company has in place the procedures to enable effective communication with stakeholders;
- Provide the relevant check and balance during board deliberations and safeguard shareholders' and other stakeholders' interests, while ensuring high standards of corporate governance are applied;
- Mitigate any possible conflict of interest between the policymaking process and the day-to-day management of the Group; and
- Constructively challenge and contribute to the development of the business strategies and direction of the Group.

The Chairman of the Audit Committee, Mr. Lee Chin Guan, is the designated Independent Non-Executive Director to whom concerns relating to the Group may be conveyed by the shareholders and other stakeholders.

The Directors are at liberty to obtain advice from independent professionals if deemed necessary for the proper discharge of their duties, at the expense of the Company.

Board Meetings and Supply of Information to the Board

Board meetings for the subsequent financial year are scheduled in advance before the end of current financial year so as to enable the Directors to plan their schedules accordingly. As stated in the Board Charter, the Board will meet at least 4 times in each financial year. Board meetings are convened upon the finalisation of LPI Group's quarterly and annual results, to review and approve the results for submission to Bursa Securities. Additional Board meetings are also held when warranted by situations such as to deliberate on urgent corporate proposals or matters that require expeditious direction of the Board.

Board meetings are conducted in accordance to a structured agenda. Board Members are provided with the structured agenda together with the relevant documents and information in reasonable time prior to the Board meeting. This is to facilitate the Directors to peruse the Board papers and seek clarification that they may require from the Management or the Company Secretary well ahead of the meeting date. Urgent papers may be presented for tabling at the Board meetings under supplemental agenda.

The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed at any other number shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

At the Board meetings, the Board reviews management reports on the business performance of the Company and its subsidiary, and reviews, inter-alia, the results compared to the preceding month and year-to-date, and also against the industry. As part of the integrated risk management initiatives, the Board peruses the decisions and salient issues deliberated by the Board Committees and Management Committees through minutes of these committees. The Board Members also deliberate, and in the process, evaluate the feasibility of business propositions and corporate proposals as well as any principal risks that would have significant impact on the Group's business and the measures to mitigate such risks.

The Chairman of the Audit Committee would inform the Directors at Board meetings of any significant audit findings deliberated by the Audit Committee which require Board's attention and approval for implementation.

The Chairman of the Risk Management Committee would inform the Board on the salient matters discussed at the Risk Management Committee meetings which require the Board's direction.

Timely circulation of notice of meetings together with the agenda and meeting materials (approximately 5 business days ahead of Board Meetings), is to allow reasonable time for Directors to peruse Board papers prior to the Board meetings. The papers of the Board meetings are presented in a concise and comprehensive format. Board meeting papers include progress reports on business operations, detailed information on business propositions and corporate proposals including the relevant supporting documents. The agenda and meeting papers are uploaded to a secured server and downloaded and accessed by the directors via their ipad.

The Directors have a duty to make an immediate declaration to the Board if they have any interests in transactions to be entered into directly or indirectly with LPI Group. The interested Directors would abstain themselves from deliberations and decisions of the Board on the transaction. In the event where a corporate proposal is required to be approved by shareholders, the interested Directors would abstain from voting, in respect of their shareholdings in LPI, on the resolutions relating to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

Minutes of Board meetings are circulated to all Directors for their perusal prior to the confirmation of the minutes at the following Board meeting. The Directors may request for further clarification or raise comments on the minutes prior to the confirmation of the minutes as a correct record of proceedings of the Board.

The Board has direct access to the Management and has full and unrestricted access to any information relating to the Group's operations in the discharge of their duties and may require to be provided with further details or clarification on the Board meeting agenda items. The relevant Management officers would be invited to attend Board meetings to brief the Board on matters relating to their respective areas of responsibility.

Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary.

The Company Secretary supports the Board by giving advices to Directors on Group's policies, procedures and relevant legislations as well as corporate governance best practices.

The Directors are regularly updated by the Company Secretary on any new statutory as well as regulatory requirements relating to the Directors' duties and responsibilities or the discharge of their fiduciary duties as Directors of the Company.

The Company Secretary notifies the Directors and the principal officers of closed periods for trading in LPI shares, pursuant to the requirements stated in Bursa Securities' Main Market LR.

The Company Secretary attends all Board and Board Committees meetings and ensures that accurate and adequate records of the proceedings of Board and Board Committee meetings and the decisions made are properly kept at registered office.

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Time Commitment

The Directors remain fully committed in carrying out their duties and responsibilities as reflected by their attendance at the 9 Board meetings held during the financial year ended 31 December 2018 as follows:

Name of Director	Scheduled Board Meetings	Attendance
Non-Independent		
Tan Sri Dato' Sri Dr. Teh Hong Piow *Non-Executive Chairman*	9	9
Tan Kok Guan *Chief Executive Officer/ Executive Director*	9	9
Quah Poh Keat *Non-Executive Director*	9	9
Independent		
Tee Choon Yeow *Non-Executive Co-Chairman*	9	9
Lee Chin Guan *Non-Executive Director*	9	9
Chan Kwai Hoe *Non-Executive Director*	9	9
Soo Chow Lai *Non-Executive Director* *(Appointed on 1 August 2018)*	3	3

All Directors have adequately complied with the minimum requirements on attendance at Board meetings as stipulated in Bursa Securities' Main Market LR (minimum 50% attendance).

Directors' attendance at Board meetings above reflected that the Directors have devoted sufficient time to prepare for and attend Board meetings, and maintained a sound understanding of the business of the Company as well as relevant market and regulatory developments.

During the year under review, the Directors have ensured their time commitment to discharge their duties effectively, as they do not hold more than five directorships in the public listed companies, detailed as below:

Holding only one directorship: 4 Directors	Holding two directorships: 2 Directors	Holding four directorships: 1 Director

While there is no restriction on directorships in non-listed issuers, Directors are aware that they should avoid over commitment in multiple directorships which may affect their performance in carrying out their role as Directors of the Company.

Nomination and Election Process of Board Members

The appointment, re-appointment and annual assessment of Directors are set out in a formal and transparent manner, the primary responsibility of which has been delegated to the Nomination & Remuneration Committee. This procedure is in line with all the relevant regulatory requirements and internal policies. Under this procedure, the Nomination & Remuneration Committee proposes nominees for appointment to the Board, and recommends to the Board on the appointment, re-appointment and assessment of the Directors for approval.

The Nomination & Remuneration Committee also oversees the overall composition of the Board in terms of the appropriate size and skills as well as the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required to be deemed fit and proper to be appointed as a Director in accordance with all the relevant regulatory requirements through annual review. Further, the Nomination & Remuneration Committee is to ensure that all Directors fulfil fit and proper requirements as stated in the Policy and Procedure on Fit and Proper for Key Responsible Persons and Company Secretary ("Policy and Procedure on Fit and Proper").

The Board, assisted by the Nomination & Remuneration Committee, considers the following aspects in making the selection:

- Probity, Personal Integrity and Reputation – the person must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- Competency and Capability – the person must have the appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position.
- Financial Integrity – the person must manage his debts or financial affairs properly and prudently.

The Board has established a clear and transparent Nomination Process for the Appointment of Directors. The nomination process involves the following 5 stages:

- Identification of candidates;
- Evaluation of suitability of candidates;
- Meeting up with candidates;
- Final deliberation by the Nomination & Remuneration Committee; and
- Recommendation to the Board.

Appointments to the Board/ Re-Appointment and Re-Election of Directors

The proposed appointment of a new Member to the Board will be deliberated by the full Board based on the recommendation of the Nomination & Remuneration Committee. The Nomination & Remuneration Committee would be guided by an internal policy on Criteria and Skill Sets for the Board Members and Chief Executive Officer ("Policy on Criteria and Skill Sets") in assessing the suitability of the potential candidates for appointment to the Board.

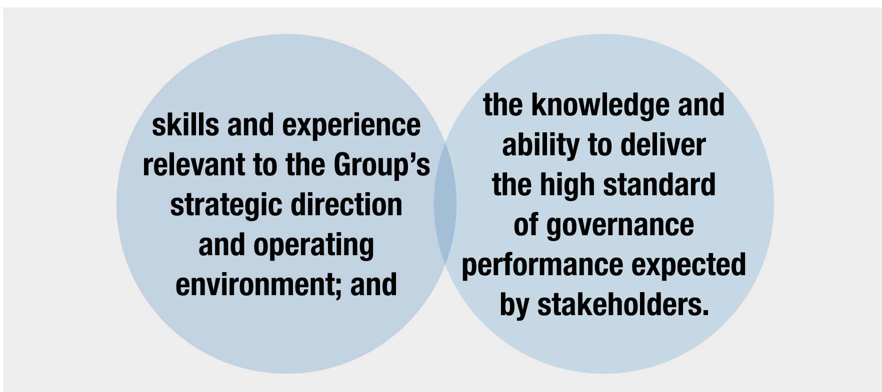
There was a new appointment of a Director, Ms. Soo Chow Lai, in 2018 via recommendation from an existing board member. The Board, after the review of the Nomination & Remuneration Committee's assessment on Ms. Soo based on Policy on Criteria and Skill Sets and independence criteria as per Bursa Securities Main Market Listing Requirements, was satisfied that Ms. Soo has met the fit and proper as well as independence requirements, whereby she possesses relevant qualifications, experience and skills to uphold her responsibility as a Director of the Company.

In accordance with the Company's Memorandum and Articles of Association (Constitution), 1/3 of the Directors, or, if their number is not a multiple of 3, the number nearest to 1/3 with a minimum of 1, shall retire from office at each Annual General Meeting ("AGM") and they may offer themselves for re-election. Directors who are appointed by the Board during the financial period before the AGM are subject to re-election by the shareholders at the first opportunity after their appointments.

The Nomination & Remuneration Committee carries out an annual assessment of each Director's contribution to the Company, and recommends the Directors who will be subject to re-election at the next AGM, to the Board and shareholders for approval.

Board Succession Planning

The Board is responsible to ensure that the composition of the Board is systematically refreshed so that the Board will comprise directors with:



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The Board shall ensure a smooth transition when directors resign from the Board and that skill gaps are addressed when appointing new directors.

The Board should also consider the following (which may be subject to the relevant regulatory requirements imposed by authorities) in Board succession planning:

- Academic and professional qualifications, relevant experience and character of the new director.
- Minimum and maximum numbers for the Board and the Board Committees' membership.
- Term limits on the Board, the Board Committees and CEO positions.
- Possibility of term renewal or maximum number of terms of appointment.
- Independence requirements.
- Fit and proper requirements.
- Re-appointment or re-election of directors.
- Time commitment.
- Limit on common directorships.
- Composition of the Board.

The Nomination & Remuneration Committee shall assist the Board in carrying out the succession planning policy.

II REMUNERATION

Directors' Remuneration Policies and Procedures

The Nomination & Remuneration Committee reviews the remuneration of the Directors annually and submits its recommendations to the Board on specific adjustments and/ or reward payments that reflect their respective contributions throughout the year, and are also competitive and in tandem with the Group's corporate objectives, culture and strategy.

The Nomination & Remuneration Committee and the Board would ensure that the remuneration policy for the Directors remains competitive to attract and retain Directors of such calibre to provide the necessary skills and experience and to commensurate with the responsibilities for an effective Board.

The remuneration packages for Executive Directors should involve a balance between fixed and performance-linked elements. The relative weightage of fixed and variable remuneration for target performance varies with the level of responsibility, complexity of the role and typical market practice. The executive remuneration should be set at a competitive level for similar roles within comparable markets to recruit and retain high quality senior executives. Individual pay levels should reflect the performance, skills and experience of the Director as well as the responsibility undertaken and is structured so as to link the short and long-term rewards to both corporate and individual performance.

For Non-Executive Directors, the review of the Directors' fees should take into account the fee levels, the trends for similar positions in the market and the time commitment required from the director.

The following areas are to be considered by the Nomination & Remuneration Committee in developing the remuneration package:

a. Company's performance indicators such as revenue, profit before tax, profit after tax, earnings per share, return on equity etc;

b. Complexity of the Group's business and the individual's responsibilities and the remuneration package should be aligned with the business strategy and long-term objectives of the Group. The remuneration and incentives for Independent Directors should not conflict with their obligation to bring objectivity and independent judgment on matters discussed at the Board meetings; and

c. The Nomination & Remuneration Committee's assessment on each Director and develop the remuneration package taking into consideration the performance, achievement and time commitment of each Director.

The proposed recommendation of the remuneration package shall be approved by the Board.

The Directors' Remuneration Policies and Procedures will be reviewed every five (5) years.

Each individual Director abstains from the Board decision on his own remuneration package. Directors' fees are approved at the AGM by the shareholders.

Details of the Directors' remuneration (including benefits-in-kind) for each Director during the financial year 2018 are as follows:

			RM'000			
Company	**Salaries**	**Fees**	**Bonuses**	**Other Remuneration**	**Benefits-in-kind**	**Total**
Executive Director						
Tan Kok Guan	1,044	120	1,087	256	42	**2,549**
Non-Executive Directors						
Tan Sri Dato' Sri Dr. Teh Hong Piow	-	300	-	-	-	**300**
Tee Choon Yeow	-	185	-	-	-	**185**
Lee Chin Guan	-	120	-	-	-	**120**
Quah Poh Keat	-	120	-	-	-	**120**
Chan Kwai Hoe	-	120	-	-	-	**120**
Soo Chow Lai[N1]	-	50	-	-	-	**50**
Total	**1,044**	**1,015**	**1,087**	**256**	**42**	**3,444**

			RM'000			
Group	**Salaries**	**Fees**	**Bonuses**	**Other Remuneration**	**Benefits-in-kind**	**Total**
Executive Director						
Tan Kok Guan	1,044	120	1,087	256	42	**2,549**
Non-Executive Directors						
Tan Sri Dato' Sri Dr. Teh Hong Piow	-	670	-	11	35	**716**
Tee Choon Yeow	-	415	-	67	-	**482**
Lee Chin Guan	-	270	-	67	-	**337**
Quah Poh Keat	-	270	-	67	-	**337**
Chan Kwai Hoe	-	270	-	67	-	**337**
Soo Chow Lai	-	50	-	-	-	**50**
Executive Director and Chief Executive Officer of subsidiary						
- Looi Kong Meng	720	150	600	178	35	**1,683**
Non-Executive Directors of subsidiary						
- Encik Mohd Suffian Bin Haji Haron	-	150	-	67	-	**217**
- Wong Ah Kow[N2]	-	50	-	21	-	**71**
Total	**1,764**	**2,415**	**1,687**	**801**	**112**	**6,779**

[N1] - *Appointment on 1 August 2018*
[N2] - *Appointment on 1 September 2018*

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Remuneration Policy for Employees
The Remuneration Policy for Employees shall enable the furtherance of the Group's vision and missions. Remuneration to the employees of the Group shall reward and be used to align individual performances with the Group's short and long term goals. Employee remuneration shall be supported by a robust performance management system underpinned by the fundamentals of sound risk management, ethics and corporate responsibility. The policy will be reviewed every five (5) years.

The said policy applies to all levels and segments of employees within the Group including the Management, business development, technical, control and support employees.

PRINCIPLES

Business Focused	Prudent	Informed	Fair	Transparent
Remunerations must be relevant and aligned towards the achievement of the Group's business results. There must be no conflict of interest. Remuneration should drive employees' diligence, dedication and competency level towards successful implementation of the Group's goals and strategies.	The remuneration structure and quantum must reinforce the importance of sustainability, encourage ethical behaviours and sound risk management, as opposed to short-term view on remuneration without consideration of consequences.	The performance assessor must have adequate quantitative and qualitative measurements of performance before any recommendation on remuneration is made. The assessments upon which remunerations are recommended must be practicable, measureable and objective.	Total remuneration packages must take into account of market environment factors including the dynamics and scale of the Group's business, its financial position and the market condition, in addition to individual merits. There must be no discrimination, biased treatment or any form of exploitation. Proper, fair and logical justification must ensue.	There must be clear and timely communication of remuneration linked to the specified job requirements. Employees should understand the expectations set out and seek for clarification where necessary.

Details of the remuneration of the top 5 Management (including salary, bonus, benefits in-kind and other emoluments) in each successive band of RM50,000 during the financial year 2018, are as follows:

Range of Remuneration (RM)	Name of Top 5 Management
600,001 - 650,000	Mr. Harry Lee Chee Hoong *– General Manager, Group Finance & Corporate Services, LPI Capital Bhd*
700,001 - 750,000	Mr. Yow Kai Fook *– Senior General Manager, Agency & Financial Institution, Lonpac Insurance Bhd*
1,250,001 - 1,300,000	Mr. Chuang Chee Hing *– Deputy Chief Executive Officer, Lonpac Insurance Bhd*
1,650,001 - 1,700,000	Mr. Looi Kong Meng *– Executive Director/ Chief Executive Officer, Lonpac Insurance Bhd*
2,500,001 - 2,550,000	Mr. Tan Kok Guan *– Executive Director/ Chief Executive Officer, LPI Capital Bhd*

III DIRECTORS' TRAINING AND EDUCATION

The Board acknowledges that the Directors' training is an ongoing process to continually develop and refresh their knowledge and skills, and to update themselves on developments in the financial industry and business landscape both domestically and internationally.

During the financial year 2018, all the Directors had attended various training programmes, talks, dialogue sessions and forums organised by external professionals, according to respective Director's own training needs in carrying out their duties as Directors and also to keep themselves abreast of market developments and updated on relevant regulatory requirements.

The Board via the Nomination & Remuneration Committee has undertaken an assessment of training needs of each Director covering areas relating to corporate governance/ risk management, board leadership, banking, finance and insurance and concluded that all the trainings attended by the Directors during the financial year ended 31 December 2018 are relevant and would serve to enhance their effectiveness in the Board and the Board Committees.

The Company has organised an orientation and education programme for the newly appointed Director during the year.

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The training programmes and seminars attended by the Directors during the financial year ended 31 December 2018 are, as follows:

Corporate Governance/ Risk Management

- Corporate Governance (CG) Briefing Sessions: Malaysian Code on Corporate Governance Reporting & CG Guide
- Advocacy Programme on CG Assessment Using the Revised ASEAN CG Scorecard Methodology
- Talk on "Introduction to Corporate Liability Provision" by Dr. Mark Lovatt, Chief Executive Officer of Trident Integrity Solutions Sdn Bhd
- MSWG Launching of Malaysian-Asean Corporate Governance Report 2017
- Introduction to Corporate Liability Provision: 'What It Is, How Will My Company Be Affected, And What Do I Need To Do To Put In Place By Way Of Safeguards?' Mandatory Accreditation Programme

Board Leadership

- Public Bank Berhad (PBB) Talk on "Open Source Leadership"
- MIA Technical Update Session 2018
- PBB's Talk "The 2018 Global Macroeconomic Outlook: The Calm Before The Storm" by Professor Antonio Fatas of INSEAD
- Win the Innovation Race: Unlocking the Creative Power of Asians by Professor Roy Chua
- PBB Talk on "Clearing the Digital BLUR" by Mr. Rajiv Jayaraman of KNOLSKAPE
- ACI Breakfast Roundtable 2018 (Theme: Change in the Goods and Services Tax rate from 6% to 0% effective 1 June 2018)
- IBM THINK Malaysia
- Malaysia: A New Dawn 2018 Conference
- Orientation Programme for New Directors
- Independent Directors Programme: The Essence of Independence
- 2nd Distinguished Board Leadership Series: "The Director as Coach": An Exclusive Dialogue with Dr. Marshall Goldsmith and Launch of FIDE FORUM's "DNA of a Board Leader"
- Talk on "Professionalism and Ethics for Board of Directors & Senior Management" by Dr. Paramsothy Vijayan of Asian Banking School
- PBB Talk on "Hostage at the Table – The Art of Leadership & Negotiations"

Banking, Finance & Insurance

- PIAM – CEOs' Industry Briefing and Networking Lunch
- Navigating the VUCA World by Professor Tan Sri Dato' Dr. Lin See-Yan
- 5th BNM-FIDE FORUM Annual Dialogue
- Overview of MFRS 9, Financial Instruments
- 1st PIDM-FIDE Forum Annual Dialogue
- Blockchain in Financial Services Industry by IBM
- BNM-FIDE FORUM Board Conversations (Insurance Companies & Takaful Operators)
- 2018 INED Conference on Bank Culture
- Milliman Luncheon Briefing: A Focus on Microinsurance
- BNM-FIDE FORUM Board Conversations (Insurance Companies & Takaful Operators)

IV BOARD COMMITTEES

The Board has established several Board Committees whose compositions and terms of reference are in accordance with Bursa Securities' Main Market LR and the best practices prescribed by MCCG.

The functions and terms of reference of the Board Committees as well as authority delegated by the Board to these Committees are clearly defined by the Board.

The Board Committees are as follows:

Audit Committee	**Nomination & Remuneration Committee**
Investment Committee	**Risk Management Committee**

The composition of the Board Committees and the attendance of members at Board Committees meetings held in year 2018 are as follows:

Audit Committee

Name of Committee Members	Scheduled Meetings	Attendance
Lee Chin Guan – Chairman *(Independent Non-Executive Director)*	4	4
Tee Choon Yeow *(Independent Non-Executive Director)*	4	4
Quah Poh Keat *(Non-Independent Non-Executive Director)* *(Ceased as member with effect from 30 October 2018)*	4	4
Chan Kwai Hoe *(Independent Non-Executive Director)*	4	4
Soo Chow Lai *(Independent Non-Executive Director)* *(Appointed on 1 August 2018)*	1	1

Nomination & Remuneration Committee

Name of Committee Members	Scheduled Meetings	Attendance
Tee Choon Yeow – Chairman *(Independent Non-Executive Director)*	4	4
Lee Chin Guan *(Independent Non-Executive Director)*	4	4
Quah Poh Keat *(Non-Independent Non-Executive Director)*	4	4
Chan Kwai Hoe *(Independent Non-Executive Director)*	4	4

Investment Committee

Name of Committee Members	Scheduled Meetings	Attendance
Tan Sri Dato' Sri Dr. Teh Hong Piow – Chairman *(Non-Independent Non-Executive Director)*	4	4
Tan Kok Guan *(Chief Executive Officer/ Executive Director)*	4	4
Kong Thian Mee *(Company Secretary)*	4	4

Risk Management Committee

Name of Committee Members	Scheduled Meetings	Attendance
Tee Choon Yeow – Chairman *(Independent Non-Executive Director)*	2	2
Lee Chin Guan *(Independent Non-Executive Director)*	2	2
Quah Poh Keat *(Non-Independent Non-Executive Director)*	2	2
Chan Kwai Hoe *(Independent Non-Executive Director)*	2	2
Soo Chow Lai *(Independent Non-Executive Director)* *(Appointed on 1 August 2018)*	1	1

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i) Audit Committee

The summary of terms of reference of the Audit Committee on functions to be discharged by the Audit Committee is set out as below:

- Review the following and report the same to the Board:
  (a) with the external auditor, the audit plan;
  (b) with the external auditor, his evaluation of the system of internal controls;
  (c) with the external auditor, his audit report;
  (d) the assistance given by the employees of the Company to the external auditor;
  (e) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  (g) the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on:
    (1) changes in or implementation of major accounting policy changes;
    (2) significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed; and
    (3) compliance with accounting standards and other legal requirements;
  (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  (i) any letter of resignation from the external auditors of the Company; and
  (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for reappointment;
- Recommend the nomination of a person or persons as external auditors; and
- Review the Management Discussion & Analysis and report to the Board.

The terms of reference of the Audit Committee is published in the Group's website.

The Audit Committee meets not less than 4 times a year.

ii) Nomination & Remuneration Committee

The terms of reference of the Nomination & Remuneration Committee are as follows:

- To establish the minimum requirements on the skills, knowledge, expertise, experience, qualifications and other core competencies of a Director and of the CEO.
- To review and recommend to the Board the overall composition of the Board and the Board Committees based on objective criteria, merit and with due regard of the appropriate size, diversity, required mix of skills, experience, age, cultural background, gender, core competencies, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review.
- To assess and recommend the nominees for appointment of Directors, the members of Board Committees, as well as nominees for the position of CEO and Company Secretary.
- To carry out annual assessment on the effectiveness and contribution of the Board as a whole, Board Committees and each director, and performance of the CEO and Company Secretary.
- To assess the Directors, CEO, Company Secretary and Other Key Responsible Persons on an annual basis to ensure that they fulfil fit and proper criteria as stated in the Company's Policy and Procedure on Fit and Proper for Key Responsible Persons and Company Secretary and that they comply with the relevant statutory and regulatory requirements.
- To review the succession plans for the approval of the Board to promote Board renewal and filling in of the vacancies.
- To ensure that all directors undergo the appropriate induction programmes and receive continuous training.
- To deliberate the appointment, succession planning and performance evaluation of CEO, Company Secretary and Other Key Responsible Persons, and recommend to the Board for approval.
- To recommend to the Board on removal of a Director/ CEO/ Company Secretary/ Other Key Responsible Persons if he is ineffective, errant or negligent in discharging his responsibilities.
- To facilitate achievement of Board Diversity Policy.

- To carry out the annual assessments on the independence of the Independent Directors as per the relevant statutory and regulatory requirements.
- To review the term of office and performance of the Audit Committee and each of its members annually in order to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.
- To review and deliberate on the remunerations for Directors, CEO, Company Secretary and Other Key Responsible Persons to commensurate with their performance and contributions to the Company and recommend to the Board for approval.

The terms of reference of the Nomination & Remuneration Committee is published in the Group's website.

The Nomination & Remuneration Committee had undertaken the following responsibilities in accordance with its terms of reference during the year under review:

- Facilitate annual assessment and review the performance of individual Directors, effectiveness of the Board as a whole and various Board Committees and satisfied that the individual directors, the Board and the various Board Committees have discharged their duties effectively according to the Board Charter and their respective terms of reference.
- Facilitate the Board on the annual review of the overall composition of the Board and Board Committees and satisfied that the Board is optimum and that there is appropriate mix of age, gender, knowledge, skills, attributes and core competencies in the Board's composition.
- Conduct assessment on the Directors who are subject to re-election pursuant to Companies Act, 2016 and recommend to the Board for approval.
- Perform assessment on the Directors, CEO, Other Key Responsible Persons and Company Secretary to ensure that they fulfilled fit and proper requirements as stated in the Policy and Procedure on Fit and Proper.
- Note the annual declaration on fitness and propriety by the Directors and Company Secretary.
- Conduct annual assessment on Independent Directors for recommendation to the Board.
- Assist the Board in assessing the training needs of the Directors and review the trainings attended by the Directors during the year.
- Review the term of office and performance of the Audit Committee and each of its members and recommend to the Board for re-appointment in year 2019.
- Review and recommend the proposed remuneration for the Directors, Key Responsible Persons and Company Secretary to the Board for approval.
- Review and recommend the renewal of employment contracts of CEO/ Executive Director and Other Key Responsible Person.

The Nomination & Remuneration Committee meets as and when required, and at a minimum of once a year.

iii) Investment Committee

- To develop a sound investment policy and strategy that supports the long-term growth objectives of the Company.
- To review and monitor the investment portfolios, policies, guidelines and risk limit of the Company and recommend to the Board the Company's overall investment policy and strategy.
- To review the investment policy and guidelines at least once every three years, or more frequently if determined necessary by the Investment Committee.

The Investment Committee shall meet at least quarterly or more frequently as circumstances require.

iv) Risk Management Committee

- To review and recommend risk management strategies, policies and risk tolerance for the Board's approval.
- To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these risks are operating effectively.
- To ensure adequate infrastructure, resources and systems are in place for effective risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Group's risk taking activities.
- To review the Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- To perform any other functions in relation to the risk management as may be agreed by the Risk Management Committee and the Board.

The Risk Management Committee meets at least twice a year.

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V WHISTLEBLOWING POLICY

The Board is committed to maintaining the highest possible standards of ethical and legal conduct within the Group. In line with this commitment and in order to enhance good governance and transparency, a Whistleblowing Policy was adopted with the aim to provide an avenue for raising concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation.

The policy addresses the following areas:

- Policy statement
- Coverage statement
- Scope of policy
- Safeguards
- Disclosure procedure

The policy provides a transparent and confidential avenue for stakeholders to raise issues that include:

- Financial malpractice or impropriety or fraud;
- Failure to comply with legal and regulatory obligations;
- Danger to individual health and safety or to the environment and the cover-up of any of these in the workplace;
- Negligence, criminal activity, breach of contract and law;
- Miscarriage of justice;
- Improper conduct or unethical behaviour; or
- Concealment of any or a combination of the above.

Confidentiality and anonymity are offered to stakeholders who disclose their concerns in good faith and in doing so, had followed the appropriate disclosure procedures accordingly. In view of the seriousness an allegation can be, the policy sets a clear procedural guide for stakeholders to follow in raising their concerns. This will ensure that issues could be addressed to the appropriate person and proper course of actions could be taken. Concerns that are expressed anonymously although less credible, will not be disregarded either and will be acted on accordingly.

The policy also provides the contact details of the Audit Committee Chairman being the Independent Director and the Group Company Secretary, should stakeholders be in doubt of the Management's independence and objectivity on the concerns raised. Each allegation will be dealt with fairly and equitably. Actions will be taken based on the nature of the allegation and may be resolved by agreed action. The Audit Committee Chairman or the Group Company Secretary may initiate the formation of an Investigation Committee consisting of persons from the Management who are independent of the allegation, where deemed necessary.

The establishment of the Whistleblowing Policy within the Group is a clear signal to the public, stakeholders and regulators about the attitude i.e. "tone at the top" of the Board and Management towards fraud and illegal acts.

MANAGEMENT COMMITTEES

The Board has also established various Management Committees whose functions and terms of reference as well as authority are clearly defined and are set up to assist the Board in the running of the Group.

The Management Committees are as follows:

- Credit Control Committee
- Information Technology Steering Committee
- Systems and Methods Committee
- Business Resumption Continuity Plan Committee
- Corporate Social Responsibility Committee
- Occupational Safety and Health Committee
- Reinsurance Security Committee
- Business Process Management Steering Committee
- Sustainability Committee
- Group Human Resource Committee

The terms of reference and frequency of meetings for the Management Committees are as follows:

i) Credit Control Committee

- To maximise the conversion of accounts receivables into cash flow and minimise bad debts written off whenever possible.
- To ensure timely collection of outstanding debts, identify problems (e.g. short payment, cancellation, unidentified items) and resolve them in a timely manner.

The Credit Control Committee meets monthly.

ii) Information Technology Steering Committee

- Ensure the establishment of effective computerisation plans for the Group in line with the overall corporate strategic plan and business objectives.
- Overall control of the implementation of the plans by monitoring and reviewing its performance and progress.
- Setting budgets within which computerisation objectives should be achieved and authorising any expenditure above pre-defined limits.
- To establish objectives, policies and strategies for computerisation in the Group.
- To develop long-term strategic plans for computerisation of the Group.
- To establish a detailed annual Information Technology ("IT") Plan.
- To establish standards for:
  - Hardware/ Software Acquisition;
  - Systems Development Lifecycle and Programme Change Operations; and
  - Computer Security.
- To consider software, hardware acquisitions and all items related to computerisation.
- To monitor and review progress of ongoing projects and the performance monitoring will be geared to the strategic plans, action plans and budgets.
- To review and approve new IT Project proposals.

The Information Technology Steering Committee holds a minimum of 4 meetings a year.

iii) Systems and Methods Committee

- To review and furnish recommendations for streamlining of workflow and improving efficiency and increasing e-enablement of processes and procedures that involves e-system enhancement resulting in reduced costs and improved efficiency.

The Systems and Methods Committee meets 6 times a year.

iv) Business Resumption Continuity Plan ("BRCP") Committee

- To prepare a BRCP to ensure that the Group suffers no material interruption to its systems, processes or operations, upon the occurrence of disruptive events.

The BRCP Committee meets as and when required.

v) Corporate Social Responsibility ("CSR") Committee

- To carry out Corporate Responsibility ("CR") activities in line with the CR Vision.

The CSR Committee meets at least twice a year.

vi) Occupational Safety and Health ("OSH") Committee

- To review the measures taken to ensure the safety and health of persons at the place of work.
- To investigate any matter at the place of work:
  - which a member of the OSH Committee or a person employed thereat considers as not safe or is a risk to health; and
  - which has been brought to the attention of the employer.
- Attempts to resolve any matter referred to in the above investigation, and if unable to do so, requests the Management to undertake an inspection of the place of work for that purpose.

The OSH Committee meets quarterly.

vii) Reinsurance Security Committee

- To review the financial strength security of the reinsurer.
- To establish Lonpac's Approved Panel of Reinsurers.

The Reinsurance Security Committee meets at least twice a year.

viii) Business Process Management ("BPM") Steering Committee

- To leverage on emerging technology to develop a flexible, agile and robust business model to prepare for future changes and eventual market liberalisation.
- To streamline business processes for improved visibility and efficiency in workflow processes/ operations.
- To ensure the provision of speedy, quality and consistent services.

The BPM Steering Committee meets as and when required.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

ix) Sustainability Committee

- Developing the sustainability vision, strategy and linkage to long-term business strategies.
- Advising the Board on strategies in the area of sustainability and seeking Board endorsement on sustainability matters.
- Identifying sustainability risks and opportunities.
- Originating policy and initiatives to manage sustainability risks and opportunities.
- Overseeing the implementation of policies and initiatives including setting targets and Key Performance Indexes for initiatives, assessing effectiveness etc.
- Identifying and implementing the stakeholder engagement process.

The Sustainability Committee meets at least twice a year.

x) Group Human Resource Committee

- Formulates human resource policies and practices for the Group.
- Deliberates and decides on human resource operational issues which do not fall within the ambit of authorised individual personnel.

The Group Human Resource Committee meets once every quarterly.

MCCG PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I FINANCIAL REPORTING

The Board recognises the responsibility in ensuring that accounting records are properly kept and that the financial statements are prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016, the FSA and the directives from BNM.

Early announcements on the quarterly results and issuance of annual report to Bursa Securities reflect the Board's commitment to provide timely, transparent and up-to-date assessments on the Group's performance and prospects.

The Board, assisted by the Audit Committee, oversees the financial reporting processes and the quality of the financial reporting by the LPI Group. The Audit Committee reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements. The Audit Committee also assists the Board in reviewing the appropriateness of the accounting policies applied by the Group as well as the changes to these policies.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of LPI and LPI Group is presented on page 146.

II INTERNAL CONTROLS

The Board has the overall responsibility for maintaining a system of internal controls that provides reasonable assurance to the relevant stakeholders of the ability of the Group to maintain operational effectiveness and efficiency, to ensure reliability of financial reporting, compliance with applicable laws and regulations as well as the adherence with internal procedures and guidelines.

The Group has established a system of internal controls, which cover all levels of personnel and business processes, to safeguard the Group's assets and shareholders' interests. Given the nature, size and complexity of the Group's business operations, the Group is required to accept and manage varying levels of operational, financial, business, compliance or other insurance risks, which may give rise to unanticipated or unavoidable losses. LPI Group's systems of internal controls are designed to provide reasonable but not absolute assurance against the risk of significant adverse event which may affect the operations or financial stability of the Group.

During the year, the Risk Management Committee ensures that there exist a sound control environment within the Group with clear identification of responsibilities for managing and controlling risks assigned respectively to relevant business units, the risk management and internal control functions. The effectiveness of the system of internal controls of the Group is reviewed regularly by the Audit Committee. The review covers the financial, operational and compliance controls as well as the effectiveness of the risk management functions. The Internal Audit Department ("IAD") checks for compliance with policies and standards and the effectiveness of internal control structures across the LPI Group.

The Statement on Risk Management and Internal Control furnished on pages 125 to 129 of this Annual Report provides an overview of the state of internal controls within the Group.

III AUDIT COMMITTEE

The Group's financial reporting and internal control system is reviewed by the Audit Committee, which comprises 5 non-executive directors of whom 4 are independent directors.

The composition, attendance of meetings and summary of the activities of the Audit Committee during the financial year are disclosed in the Audit Committee Report on pages 130 to133 of this Annual Report. The activities of the Audit Committee are governed by the terms of reference that is approved by the Board.

The Audit Committee meets no fewer than 4 times a year. During the financial year ended 31 December 2018, a total of 4 Audit Committee meetings were held.

The Audit Committee meeting is always held before the Board's meeting. This is to ensure that all critical issues highlighted can be brought to the attention of the Board on a timely basis. The minutes of the Audit Committee meetings are tabled at the Board for noting and for action by the Board where appropriate.

The relevant heads of department in Head Office are invited to attend the Audit Committee meetings when deemed necessary by the Audit Committee for the purpose of briefing the Audit Committee on the activities involving their areas of responsibilities.

The activities carried out by the Audit Committee during the year are set out in the Audit Committee Report on pages 131 to 133 of this Annual Report.

IV RELATED PARTY TRANSACTIONS

The IAD reviews the nature of related party transactions within the Group to ascertain any conflict of interest situations that would raise questions on management integrity. The results of this annual review is tabled at the Audit Committee meeting and thereafter reported to the Board.

Details of these related party transactions are disclosed in the Notes to the Financial Statements on pages 266 to 268 of this Annual Report.

V RELATIONSHIP WITH EXTERNAL AUDITORS

The Audit Committee meets with the Group's external auditors to review the scope and adequacy of the audit process, the annual financial statements and their audit findings. The Audit Committee also meets with the external auditors without the presence of any executive Board Members and management staff annually and upon request of the external auditors. In addition, the external auditors are invited to attend the AGM of LPI and are available to answer shareholders' questions relating to conduct of the statutory audit and the preparation and contents of their audit report.

The services provided by the external auditors include statutory audits and non-audit services. The terms of engagement for the services rendered by the external auditors are reviewed by the Audit Committee and approved by the Board. The Audit Committee also reviews and approves the proposed fees for non-audit services by the external auditors. In their review, the Audit Committee ensures that the independence and objectivity of the external auditors are not compromised. The Audit Committee's annual assessment to review and monitor the suitability and independence of the external auditors is guided by a Framework on the Appointment/ Re-appointment of External Auditors ("Framework") approved by the Board.

During the financial year under review, the Board, having considered the recommendation by the Audit Committee, was satisfied that the external auditors have met the criteria as set out in the Framework and agreed that the re-appointment of the external auditors for the year 2018 be recommended to the shareholders for approval at the AGM.

The details of the statutory audit, audit-related and non-audit fees paid/ payable in 2018 to the external auditors and their affiliates are set out on page 288 of this Annual Report.

VI INTERNAL AUDIT

The Group has an established IAD which assists the Audit Committee in the discharge of its duties and responsibilities. There are 21 internal auditors with relevant qualifications and experience in the IAD. The role of IAD is to provide independent and objective reports on the organisation's management, records, accounting policies and controls to the Board. The internal auditors are free from any relationships or conflict of interest or undue influence of others to override professional and business judgment, which could impair their objectivity and independence. The independence of the internal audit function is derived from its direct reporting and unencumbered access to the Audit Committee.

CORPORATE GOVERNANCE
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The Chief Internal Auditor ("CIA") reports directly and functionally to the Audit Committee and ultimately to the Board, and administratively to the Chief Executive Officer of the Company. The CIA, Ms. Irene Hwang Siew Ling, is a holder of a Bachelor's Degree with Honours in Accounting from the University of Malaya. She is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. She is also a Chartered Member of The Institute of Internal Auditors Malaysia.

The internal audits include evaluation of the processes where significant risks are identified, assessed and managed. Such audits also ensure that instituted controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with the Group's Risk Management and Internal Control Framework.

The internal audit function is governed by an Internal Audit Charter that was approved by the Board. The charter sets the objectives, authority and scopes of the internal audit function, which are in line with the Guidelines on Internal Audit Function of Licensed Institutions issued by BNM. During the year, the internal audit function was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing.

The CIA is subject to the assessments by the Audit Committee for his/ her appointment, remuneration, performance evaluation, removal and redeployment. Such assessment is to be noted by the Board.

A statement on Internal Audit Function is presented in the Audit Committee Report on pages 133 to 134 of this Annual Report.

MCCG PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH SHAREHOLDERS

I EFFECTIVE COMMUNICATIONS WITH SHAREHOLDERS

Transparency and accountability to all stakeholders are the key elements of good corporate governance. The fundamental objectives of transparency and accountability are the communication of clear, relevant and comprehensive information that is timely and readily accessible by all stakeholders. In fulfilling its corporate governance obligations, LPI Group maintains a high level of disclosure and extensive communication with its stakeholders by providing clear, comprehensive and timely information through a number of readily accessible channels. The provision of timely information is principally important to the shareholders and investors for informed investment decision making particularly in periods of financial turbulence and extreme volatility in the marketplace.

LPI's Annual Report remains a key channel of communication with the Group's stakeholders. The contents of the annual report of LPI met Bursa Securities' Main Market LR and other regulatory requirements of annual reports. The extensive information contents and disclosure requirements of Bursa Securities governing listed companies' quarterly results announcements had also enhanced the transparency level of LPI Group.

The Group also provides an executive summary of its annual report, highlighting key financial and corporate information as well as the analysis of the statements of financial position and profit or loss, in order to facilitate shareholders' easy access to such key information. LPI Group disseminates its annual report to its shareholders either in hard copy or in CD ROM media. The same information is also made available to the shareholders electronically as soon as the information is announced or published.

Another important avenue for communication and dialogue with the shareholders is the Company's AGM, which is always held in Kuala Lumpur city centre and not in a remote location. All shareholders are encouraged to attend the Company's AGM and to participate in the proceedings. Shareholders are given both the opportunity and time to raise questions and seek clarification on the agenda items and on the performance of the Company and Group. The Directors, including CEO/ Executive Director are responsible for providing clarification on issues raised by the shareholders at the Company's general meetings and they avail themselves to clarify matters or enquiries from shareholders. Shareholders' suggestions received during AGMs are reviewed and considered for implementation, wherever possible.

The Notice of 57th AGM to shareholders was dated 26 February 2018, which was 28 days' notice for holding the Company's 57th AGM on 27 March 2018. Shareholders were given sufficient notice period to review the Group's financial results and evaluate the resolutions tabled at general meeting.

At the AGM, the CEO/ Executive Director of LPI Group presents a brief review of the financial performance of the LPI Group. The turnout of shareholders at LPI's AGM has always been good, a clear indication of the extensive engagement with the shareholders.

Pursuant to Paragraph 8.29A(1) of the Main Market LR of Bursa Securities, all the resolutions set out in the Notice of Meetings will be put to vote by poll. The electronic polling processes are managed by the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator and independent scrutineers are appointed to verify and validate the results of the poll at the AGM.

LPI makes announcements of its quarterly group financial results to Bursa Securities and issues press releases of its quarterly results announcements. The press release is intended not only to promote the dissemination of the financial results of LPI Group to a wide audience of investors and shareholders but also to keep the investing public and shareholders updated on the Group's business progress and development.

In order to maintain high level of transparency and to promote wider dissemination of corporate and financial disclosures, all information that is made public, such as LPI's Annual Reports, the quarterly financial results announcements of LPI Group, summaries of key matters discussed at AGM and other corporate information are available on the Group's website, www.lpicapital.com.

Prompt and timely dissemination of information is important for shareholders and investors to make informed investment decisions. Outdated information, although accurate and comprehensive, is less useful for such investment purposes. In this view, LPI Group places high priority in making available and disseminating information as early as possible. The releases of periodic financial information such as LPI's Annual Report and the Group's quarterly financial results are generally earliest amongst large listed companies and are always well ahead of the deadlines specified in Bursa Securities' Main Market LR, as reflected in the following tables:

Release of Annual Report

	Date of Issue	No. of Days After End of Year	Deadline Imposed by Bursa Securities
Annual Report 2016	27 February 2017	58	30 April 2017
Annual Report 2017	26 February 2018	57	30 April 2018
Annual Report 2018	26 February 2019	57	30 April 2019

Release of 2018 Quarterly Results

	Date of Issue	No. of Days After End of Quarter	Deadline Imposed by Bursa Securities
1st Quarter	26 April 2018	26	31 May 2018
2nd Quarter	9 July 2018	9	31 August 2018
3rd Quarter	10 October 2018	10	30 November 2018
4th Quarter	29 January 2019	29	28 February 2019

The Group has consistently managed to achieve such early issuance of its annual reports and releases of the quarterly financial results despite the regulatory requirements, which are needed to be complied with, including a significantly higher level of disclosure of financial information. The prompt and timely availability of information clearly enhances its value to the shareholders and investors and reflects the high standard of transparency within the Group.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

II INVESTOR RELATIONS

LPI Group's investor relations activities serve as important communication channel with the shareholders, investors and the investment community, both in Malaysia and internationally.

The Group's investor relations function is undertaken by the very senior level of Management personnel, reflecting the commitment of the Group to maintain strong investor relations as well as to provide appropriate and substantive views and information on the Group to investors and equity research analysts.

Investor Relations Activities in 2018

	Total
Meeting with analysts/ fund managers	13
Tele-conference/ interview	3

Investor relations activities such as meetings with fund managers and analysts are attended by the following designated Management to explain the Group's strategy, performance and major developments:

Primary Contacts for Investor Relations Matters

Tan Kok Guan
Chief Executive Officer/
Executive Director,
LPI Capital Bhd

Contact Details
Tel no.: (03) 2262 8633
Email: kgtan@lonpac.com

Looi Kong Meng
Chief Executive Officer/
Executive Director,
Lonpac Insurance Bhd

Contact Details
Tel no.: (03) 2262 8620
Email: kmlooi@lonpac.com

The efforts and resources allocated to the investor relations function reflect LPI Group's commitment to achieve a high standard of communication with, and a high level of transparency to its shareholders and the investment community.

Information on the Group's investor relations matters and the primary contacts are also available for the shareholders' and other stakeholders' view in the website at www.lpicapital.com.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 15 January 2019.

A copy of the Corporate Governance Report on disclosure on application of each practice in MCCG, can be downloaded in the Company's website, Corporate Governance Section, at www.lpicapital.com.

ENTERPRISE
RISK MANAGEMENT

"Enterprise risk management is the holistic and structured process, effected top-down, from the board of directors to the management and the employees, across the enterprise, that addresses the uncertainties surrounding potential events that may affect the enterprise by identifying these events and determining appropriate control and monitoring measures."

OVERVIEW

Enterprise risk management is the holistic and structured process, effected top-down, from the board of directors to the management and the employees, across the enterprise, that addresses the uncertainties surrounding potential events that may affect the enterprise by identifying these events and determining appropriate control and monitoring measures. Enterprise risk management aims to align the processes, people, and technology to manage the organisation's risks in accordance to its risk appetite and tolerance, so that the organisation's values to its stakeholders are sustainable.

Enterprise risk management is an enhancement of the existing risk management practices that include the following key elements:

- Risk management is applied consistently across the whole enterprise;
- Risk management and measurement is integrated into the business processes; and
- Presence of a central risk function.

Enterprise risk management aims to minimise the unpleasant surprises while enabling a speedier response to secure good opportunities, and the efficient use of capital. The control measures such as timely reporting and transparency of risks across the organisation, increase the effectiveness of the Group's operation, and align the Group's risk appetite and tolerance more effectively.

The recognition of the importance of enterprise risk management has been growing steadily over the years. Various stakeholders, such as the regulators and rating agencies, are becoming more interested in a company's risk management practices. The introduction and implementation of Bank Negara Malaysia ("BNM")'s Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for Insurers highlights the importance of the role of the board of directors and management, in the assessment of a company's risk profile and the quality of risk management. In Singapore, an insurer shall perform its own risk and solvency assessment ("ORSA"), to assess the adequacy of its risk management. It is paramount that sound capital management is put in place and stress tests are performed and monitored regularly.

The Board of Directors ("Board") recognises the importance of an effective enterprise risk management in order to achieve a sustainable growth in profitability and strong asset quality that in turn will optimise the Group's value to its shareholders. The Board, with the assistance of the Management, has set out the overall approach of the Group's risk management activities.

ENTERPRISE
RISK MANAGEMENT

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The risk management infrastructure of the Group sets out clear accountabilities and responsibilities for the risk management process which underlines the principal risk management and control responsibilities:

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Approval of risk management policies, risk appetite and risk tolerance	Implementation of enterprise risk management, independent review and compliance	Implementation, development and giving feedback of risk management policies
Board of Directors Risk Management Committee ("RMC") at LPI Capital Bhd ("LPI") Board Risk Management and Compliance Committee ("RMCC") at Lonpac Insurance Bhd ("Lonpac") Board	Enterprise Risk Management ("ERM") Department Internal Audit Department ("IAD") Compliance & Legal Department	• Business Development Division • Underwriting Division • Health & Accident Department • Claims Department • Information Technology Department • Accounts & Finance Department • Human Resource Department • Actuarial Department • Pricing Department • Administration Department • Training Department • Secretariat Department

The Group Risk Management and Internal Control Framework sets out the governing principles for the enterprise risk management and internal control activities of the Group.

The Board is responsible for oversight over the Group's Risk Management and Internal Control Framework, risk appetite/ risk tolerance, capital management framework and risk management policies.

The RMC and RMCC were established by the LPI and Lonpac Board respectively with the responsibility to oversee the overall risks which includes inter-alia reviewing and approving risk management processes, reviewing risk exposure and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for risk management activities for identifying, measuring, monitoring and controlling risks.

The RMC and RMCC are supported by the ERM Department, IAD and Compliance & Legal Department. ERM Department identifies and communicates the critical risks (present and potential) in terms of likelihood of exposures and impact on the Group's business to the RMC and RMCC, on a continuing basis.

The IAD performs independent audits and assessments of the adequacy and reliability of the risk management processes and system. The Compliance & Legal Department ensures the Group is in compliance with laws and regulatory guidelines at all times.

The individual departments are responsible for identifying, mitigating and managing risks within their lines of business and ensuring that their day-to-day business activities are carried out in accordance with established risk policies, procedures and limits.

The risk management policies are subject to periodical reviews to ensure that they remain relevant and effective in managing the associated risks due to changes in the marketplace and regulatory environments.

RISK ASSESSMENT

The Group has established a structured approach within its risk management and internal control framework which is used to conduct a comprehensive risk assessment of every individual risk identified, with its own unique set of characteristics and operational implications.

The Risk Matrix is shown as below:

Risk Impact \ Risk Likelihood	Low	Medium	High
High	Medium Priority	High Priority	High Priority
Medium	Low Priority	Medium Priority	High Priority
Low	Low Priority	Low Priority	Medium Priority

High Priority - Major Focus
Medium Priority - Moderate Focus
Low Priority - Peripheral Focus

The Risk Matrix was utilised to depict the impact and the likelihood of each individual risk as it gives a simple visual summary of the materiality of the risks being analysed. The Risk Matrix helps the Group to determine how best to utilise its resources efficiently to manage its risks on an enterprise level.

The risks that fall under the top right corner of the matrix should be given high priority, that is the Group should direct a significant proportion of its resources to manage these risks. The risks that fall along the diagonal line from top left corner to bottom right corner are considered as medium priority and are managed accordingly. The risks at the bottom left corner are considered as low priority risks but are still monitored with a peripheral focus.

The Group's risk management processes are reviewed and assessed regularly by the IAD. The reviews include an assessment of the effectiveness of the control activities undertaken by the individual departments, the effectiveness of management oversight and whether the internal control activities and processes remains comprehensive, robust and have been implemented as intended.

RISK APPETITE AND RISK TOLERANCE

The 2 main conventional sources of income for the Group are its insurance business, which is the core business activity of the Group, while the second source is its investment activities.

The Group places strong emphasis on prudent and profitable underwriting practices in order to achieve a sustainable business. Regular reviews of claims trends and underwriting guidelines are performed to identify good risks. The Group has capped the proportion of certain lines of business over its total portfolio in line with its risk tolerance for overall exposures. The Group has also capped the proportion of Refer Risks over business portfolio to maintain a healthy block of risks.

The investment objective is to prudently maximise the returns on the resources available within the confines of the regulatory requirements. The Group aims to provide a steady stream of income and liquidity while maintaining capital stability by having a balanced book of investments, and paying attention particularly to the relevant risk charges. The Group has capped the proportion of investment in certain categories of assets to avoid unnecessary high risk charges. The Group has also capped the proportion of fixed income investment with lower ratings to ensure a healthy portfolio of investments.

The Group strives to ensure that its reinsurers are financially resilient in order to perform their contractual obligations in a timely manner. The treaty reinsurers are required to maintain a minimum financial strength rating and are assessed annually. The proportion of exposure to reinsurers with lower ratings over total reinsurance exposure is capped to minimise the credit risk.

The Group aspires to maximise the conversion of accounts receivables into cash flow and to minimise the writing off of impaired debts. The Credit Control Committee meets monthly to identify any weak and delinquent accounts for early action, if required.

The Group seeks to hold sufficient provisions for insurance liabilities by reserving for them at the 75% confidence level.

ENTERPRISE
RISK MANAGEMENT

RISK PROFILE

The key areas of risks of the Group are set out below:

Support Departments

- Underwriting
- Claims
- Accounts & Finance
- Human Resource
- Information Technology
- Compliance & Legal Department
- Actuarial
- Pricing
- Health & Accident
- Administration
- Training
- Secretariat

FINANCIAL RISKS

Risk of financial losses caused by credit risks, market risks, interest rate risks, foreign currency risks or liquidity risks.

Risk Management Approaches:

- Diversification of counterparty exposure to avoid concentration risk ensured together with control and monitoring measures.
- Credit control policies and procedures carried out by Credit Control Unit.
- Investment guidelines to describe the threshold for each type of investments.
- Independent assessment on financial security of the counterparties before entering into an agreement.
- Ensuring sufficient liquidity is maintained so that sufficient funding is available to meet its insurance contract and other obligations.

STRATEGIC RISKS

Risk of financial losses arising from underlying strategies that turns out to be a poor business strategy decision.

Risk Management Approaches:

- Product Development Committees are established to oversee the design and implementation of new products.
- Comprehensive research is performed before the launch of new products with frequent monitoring of new business production profit performance.
- Annual review of reinsurance arrangements and the close monitoring of the financial security of the panel of reinsurers.
- The Information Technology Steering Committee ensures the effective planning and direction of IT plans and projects.
- Digital Strategy department was established to diversify the distribution channel and enhance the Group's customer service.
- The Investment team executes Group's investment objectives, which aims to maximise returns consistent within prudent level of risks.

INSURANCE RISKS

Risk of financial losses arising from higher than expected claims amount and the inadequacy of insurance liabilities reserves.

Risk Management Approaches:

- Peer reviews and ongoing discussion of Group's specific trends, changes in business environment and claims processes.
- Annual independent review of product pricing.
- Annual review of underwriting guidelines.
- Regular monitoring of claims experience.

Business Development Departments	
• Agency • Financial Institution • Broking • Global Partnership • Trade Credit • Digital Strategy • Reinsurance • Customer Service • Branches Strategic Performance • Branches	**OPERATIONAL RISKS** Risk of financial losses arising from inadequate/ failed internal processes, people, system or unexpected external events. *Risk Management Approaches:* • Periodical reviews and monitoring of internal processes are performed to ensure viability and appropriateness with respect to the changing operating environment. • Structured guidelines, access rights, training and organisation of work with random checks and reviews help control the risks of human errors. • Regular back-ups, software/ hardware acquisition policies and benchmark tests are utilised to ensure the quality of internal systems. • The external operating environment is monitored closely and the Business Resumption Continuity Plan is reviewed periodically. **LEGAL AND COMPLIANCE RISKS** Risk of financial losses arising from a breach in the applicable laws and regulations and from the damage to the Group's reputation. *Risk Management Approaches:* • The various Head of Departments and relevant authorities are promptly notified of any latest published circulars and guidelines. Regular and random checks are performed to ensure compliance to legal standards.

STRESS TESTING

The LPI Group recognises the importance of stress testing as a risk management tool to identify potential threats due to exceptional but adverse plausible events. The Board and Management also view the stress testing exercise as an effective risk management tool and have embedded stress testing as part of the Group's risk management processes.

The stress testing process has been designed to suit the Group's business environment and risk profile, and is commensurate with the nature, complexity and sophistication of its business activities. Adverse scenarios are incorporated into the stress testing exercise and will be continually reviewed with the changing business environment. The stress testing process helps determine the extent by which capital may be eroded from exceptional but adverse plausible events.

The Board and Management participate actively in providing feedback and participating in the discussion on the methodology, assumptions and results of each stress testing exercise.

CAPITAL MANAGEMENT PLAN

The Capital Management Plan ("CMP") sets out thresholds that act as triggers for action. The corrective action for each threshold are stated and take into account how adverse scenarios are likely to affect the Group's risk management activities. The intensity of corrective action increases with the extent of which threshold level is breached. This ensures that an appropriate level of capital is maintained at all times.

The objective of the CMP is to optimise the efficient and effective use of resources and capital in order to maximise the return on equity and provides an appropriate level of capital to protect the policyholders. The management of the Group's capital is guided by the CMP which is driven by the Group's business strategies and takes into account the business and regulatory environment in which the Group operates in.

ETHICS,
INTEGRITY AND TRUST

"LPI Capital Bhd ("LPI") via its wholly-owned subsidiary, Lonpac Insurance Bhd ("Lonpac"), operates in an industry where integrity and trust are of utmost importance. The trust and confidence that customers and the public have in Lonpac are vital to the continued growth and success of the Group."

LPI Capital Bhd ("LPI") via its wholly-owned subsidiary, Lonpac Insurance Bhd ("Lonpac"), operates in an industry where integrity and trust are of utmost importance. The trust and confidence that customers and the public have in Lonpac are vital to the continued growth and success of the Group. The Group actively strives with enthusiasm to conduct itself with integrity and trustworthiness to develop such trust and confidence in the Group. Measures to safeguard the Group's integrity and credibility are undertaken to minimise the exposure to reputational risk arising from unethical or fraudulent conduct by the Group's employees.

The Group recognises that employees play an important role in building a trusted and reputable enterprise in the eyes of the public. The Group has taken, and continues to take proactive initiatives to ensure that employees have shared values and principles, and conduct themselves to the standards that are consistent with the expectations of the customers and the public.

The acceptable conduct expected of employees of the Group is formalised in clearly written codes and policies. This is a critical part of building a culture of trust and integrity in employee conduct and behaviour. Included amongst such codes and policies are the following:

1. POLICY AND PROCEDURE ON FIT AND PROPER FOR KEY RESPONSIBLE PERSONS AND COMPANY SECRETARY

LPI Group has established Policy and Procedure on Fit and Proper for Key Responsible Persons and Company Secretary, which aimed to ensure that the key positions in LPI Group are led by personnel who fulfil the following criteria:

Probity, Personal Integrity and Reputation – possesses the personal qualities such as honesty, integrity, diligence, independence of mind and fairness;

Competence and Capability – have the appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position to carry out his work; and

Financial Integrity – able to manage his own financial affairs properly and prudently.

2. CODE OF ETHICS

It is the duty of every LPI Group employee to uphold and abide by high standard of professionalism and ethics. The principles set out by the Financial Services Professional Board's Code of Ethics resemble the values that LPI Group stands for. The Group, therefore adopts these five core ethical principles as its own, which also forms the basis for the Group's Code of Conduct.

a. Competence
All employees shall develop and maintain the relevant knowledge, skills and behaviour to ensure that their activities are conducted professionally and proficiently. This includes acting with diligence, as well as obtaining and regularly updating the appropriate qualifications, training, expertise and practical experience.

b. Integrity
The Group and all employees shall be honest and open in all their dealings. This includes behaving in an accountable and trustworthy manner, and avoiding any acts that might damage the reputation of, or bring discredit to the Group or the industry at any time.

c. Fairness
The Group and all employees shall act responsibly and embrace a culture of fairness and transparency. This includes treating those with whom they have professional relationships with respect and ensuring that they consider the impact of their decisions and actions towards all stakeholders.

d. Confidentiality
The Group and all employees shall protect the confidentiality and sensitivity of information provided to them. This includes using it for its intended purposes only and not divulging to any unauthorised persons, including third parties, without the necessary consent from those involved unless disclosure is required by law or regulation.

e. Objectivity
The Group and all employees shall not allow any conflict of interest, bias or undue influence of others to override their business and professional judgement. They shall declare to those concerned, all matters that could impair their objectivity.

Persatuan Insurans Am Malaysia ("PIAM") registered agents who represent Lonpac are bound by written agreement with the Company to abide by a code of conduct known as the PIAM General Insurance Business Code of Practice for All Intermediaries Other than Registered Insurance Brokers ("Code"). The Code stipulates minimum standards on the sale, advisory and service conducted by insurance agents.

3. ANTI-FRAUD POLICY

The Group's General Conduct Policies provide guidance on the specific issues in order for the Group to operate in an orderly manner and to create a fair working environment for all employees. Included in its General Conduct Policies is the Group's Anti-Fraud Policy which spells out that employees are responsible in preventing and detecting defalcations, misappropriations and other irregularities. Employees are expected to be familiar with the types of improprieties that might occur within their areas of responsibility and be alert to any indication of irregularity. In addition, the Anti-Fraud Policy sets out fraud discovery reporting procedures and warns employees on the disciplinary actions against fraudulent acts.

4. ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM POLICY

Lonpac remains committed to fulfilling its regulatory obligations. Lonpac undertakes so far as is reasonably possible and practicable to safeguard itself from individuals and entities listed under applicable laws and regulations such as the orders issued by the Minister of Home Affairs pursuant to powers conferred under Section 66B and Section 66C of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001. If a transaction relates to any designated individual or entity, Lonpac will block or reject the transaction and report to the relevant authorities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") recognises the importance of a sound risk management and internal control framework to safeguard shareholders' investment and assets of LPI Capital Bhd ("LPI") and its wholly-owned subsidiary, Lonpac Insurance Bhd ("Lonpac").

The Board of Directors ("Board") recognises the importance of a sound risk management and internal control framework to safeguard shareholders' investment and assets of LPI Capital Bhd ("LPI") and its wholly-owned subsidiary, Lonpac Insurance Bhd ("Lonpac").

The Board's Statement on Risk Management and Internal Control outlines the nature and scope of risk management and internal control of the Group during the year.

Board Responsibilities

The Board affirms its overall responsibility for the adequacy and effectiveness of the Group's risk management and internal control framework. This includes reviewing the adequacy and integrity of financial, operational and compliance controls and risk management procedures. In view of the limitations that are inherent in any system of internal controls, the Board ensures that the risk management and internal control framework is designed to manage the Group's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group.

The Board continually reviews the framework in ensuring that this risk management and internal control framework provides a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

Following the publication of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Risk Management and Internal Control Guidelines"), the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process which includes enhancing the risk management and internal control framework when there are changes in the business environment or regulatory guidelines, is reviewed by the Board and is guided by the Risk Management and Internal Control Guidelines.

The Board is assisted by the Management in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The Management has given assurance to the Board that the Group's risk management and internal control framework is operating adequately and effectively, in all material aspects, based on the Group's risk management and internal control framework.

The Board is of the view that the risk management and internal control framework in place for the year under review and up to the date of the issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

Key Risk Management and Internal Control Processes

The key processes that have been established in reviewing the adequacy and effectiveness of the risk management and internal control framework include the following:

Group Risk Management and Internal Control Framework	• The Risk Management Committee ("RMC") and Risk Management and Compliance Committee ("RMCC") were established by the LPI and Lonpac Board respectively with the responsibility to oversee the overall risk management processes by identifying principal business risks and ensuring appropriate implementation of systems to manage these risks. • The LPI Group Risk Management and Internal Control Framework sets out the governing principles for the enterprise risk management and internal control activities of the Group. The objective of the framework is to provide a comprehensive, systematic, disciplined and proactive process, effected top-down from the Board to the Management and the employees across the Group, conforming to the requirements, principles and best practices established by Bank Negara Malaysia and the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia. The framework involves a continual process of identifying, assessing, managing and reporting on the significant strategic, business and process level risks related to the achievement of the Group's business objective, and to maintain an effective internal control environment within the Group. The effectiveness of the framework is assessed at least annually which includes a review of all significant risks by respective risk owners and to assess the overall risk environment of the Group. • The Enterprise Risk Management ("ERM") Department identifies and communicates to the RMCC on critical risks (present and potential) in terms of likelihood of exposures and impact on the Group's business and the management action plans to manage these risks on a continuing basis. Various heads of department, who are specialised and experienced in their respective business processes remain available to give advice to the ERM Department on the key risks relevant to their respective operations. The Internal Audit Department ("IAD") and Compliance & Legal Department also provide their advice to the ERM Department pertaining to controls and compliance concerns on various risk factors and implementation of risks mitigation measures. The ERM Department actively identifies, assesses and monitors the Group's key business risks. • Risk Reports were compiled to define a set of risk appetite and risk tolerance approved by the Board complied with the Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for Insurers issued by Bank Negara Malaysia ("BNM").
Internal Audit Function	• The Internal Audit function is in place to assist the Audit Committee of the Group to discharge its functions effectively. The IAD monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on Head Office departments and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these Head Office departments and branches. The findings of the internal audits are tabled at the Audit Committee meetings for deliberation and the Audit Committee's expectation on the corrective measures will be communicated to the respective head of departments and branches. The annual Internal Audit Plan is reviewed and approved by the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function	• The Audit Committee of the Group reviews any internal control issues identified by the IAD, the external auditors, regulatory authorities and Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews the internal audit function and quality of internal audits. The minutes of the Audit Committee meetings are tabled to the Board. Further details of the activities undertaken by the Audit Committee of the Group are set out in the Audit Committee Report.
Other Key Elements of Risk Management and Internal Control	• There is an organisational structure with formally defined lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties. • Operating policies and procedures, which incorporate regulatory and internal requirements, are prescribed in the form of circulars to line management in all departments and updated as and when there are changes. • There are operational authority limits imposed on Chief Executive Officer and other key management personnel within the Group in respect of day-to-day operations, covering underwriting on accepting risks, claims settlement, investments, acquisition and disposal of assets. • The treaty reinsurance programme ensures that there is a proper spread of reinsurers. The securities of treaty reinsurers are reviewed on an annual basis by the Reinsurance Security Committee (“RSC”) and the RMCC. • The Management submits annually a business plan and budget with 3 year projections for approval by the Board. The Board reviews monthly management accounts, which are measured against budgets and the previous year’s results to gauge performance. • Stress tests are performed annually on Lonpac’s financial position which commensurate with its risk profile and the business environment. The stress tests are used as a risk management tool to identify potential threats to Lonpac’s financial health due to exceptional but plausible adverse events and to determine Lonpac’s Individual Target Capital Level. The results in the stress test report are deliberated at the RMCC meetings and thereafter recommended to the Board for approval, before submission to BNM and the Monetary Authority of Singapore for the Singapore branch. • The IAD reviews the stress test policy to provide an independent assessment in ensuring the quality and effectiveness of the stress test policy as required by BNM. The internal audit report on the review of the stress test policy is presented at the Audit Committee meeting. • The Group’s quarterly financial reports are released to Bursa Malaysia Securities Berhad after being reviewed by the Audit Committee and approved by the Board.

Other Key Elements of Risk Management and Internal Control

- Management meetings chaired by the Chief Executive Officer of Lonpac are conducted monthly to review financial performance, business development and to deliberate on management and corporate issues.

- The maintenance of adequate data quality is carried out and internal controls, either in the systems or manually performed will be incorporated to further improve the data quality. The assessment of data accuracy is carried out on a yearly basis by the ERM department and the assessment report will be tabled at the RMCC and Board meetings.

- The Investment Committee is responsible for formulating policies, strategies as well as reviewing matters relating to the investment in shares and private debt securities.

- The Information Technology Steering Committee is chaired by the Chief Executive Officer of Lonpac. The committee is responsible for establishing effective computerisation plans, authorising information technology related expenditure above predefined limits and monitoring the progress of approved projects.

- Internal control requirements are embedded in computerised systems as well.

- The Systems and Methods Committee is chaired by the Chief Executive Officer of Lonpac to oversee the control and efficiency of processes.

- The Credit Control Committee is chaired by the Chief Executive Officer of Lonpac and represented by the Deputy Chief Executive Officer, Heads of the Business Development Department and Accounts & Finance Department. Monthly meetings are conducted with the objective of maximising the conversion of accounts receivables into cash flow and minimising impaired debts written off.

- The Business Resumption Continuity Plan ("BRCP") Committee is chaired by the Chief Executive Officer of Lonpac. The committee is responsible for preparing a BRCP to ensure that the Group suffers minimum interruption to its systems, processes and operations in the event of any disasters.

- A BRCP manual was formulated to ascertain that the Group suffers no material interruptions to its systems, processes and operations, or material damages to its assets upon the occurrence of any disastrous events. A separate BRCP manual was formulated for the Singapore branch. The BRCP plan for both Malaysian and Singapore operations are tested annually. The BRCP testings are observed by the IAD to provide an independent evaluation of the testing preparation and to highlight any deficiencies noted during the testings. A written assessment report on the BRCP testing is prepared by the IAD for the Audit Committee's review. The IAD reviews the Post-Test Analysis Reports prepared by the Company and submits their assessment report to BNM as required under the Guidelines on Business Continuity Management (Revised) ("BCM").

STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL

Other Key Elements of Risk Management and Internal Control	
	• On an annual basis, the IAD reviews the level of commitment to BCM and overall preparedness with reference to Lonpac's BCM policies and regulatory requirements. Gaps identified will be documented in the audit report to the Audit Committee together with the action plans for further improvement by the respective business functions. An executive summary of the audit report, which includes comments from the Audit Committee, will be submitted to BNM as required under the Guidelines on BCM. • The Business Process Management Steering Committee is chaired by the Chief Executive Officer of Lonpac. The committee's responsibilities are: - to leverage on emerging technology to develop a flexible, agile and robust business model to prepare for future changes and eventual market liberalisation; - to streamline business processes for improved visibility and efficiency in workflow processes/ operations; and - to ensure the provision of speedy, quality and consistent services. • Training and development programmes are conducted to enhance staff competencies and maintain a risk control conscious culture. • Training sessions for agents are conducted to enhance their competencies and technical knowledge for better risk management in developing agency networking. • There are proper guidelines within the Group for hiring and termination of staff. Annual performance appraisals are in place to ensure that the staff are competent in carrying out their duties and responsibilities.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control in accordance with International Standard on Assurance Engagements ("ISAE") 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* as adopted by the Malaysian Institute of Accountants ("MIA") and Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report* issued by MIA, for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a. has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
b. is factually inaccurate.

The external auditors are not required to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

AUDIT COMMITTEE
REPORT

Chairman
Lee Chin Guan
Independent Non-Executive Director
B.Sc. (Hons), BCL (Oxon), LLM (Cantab),
JD (Chicago-Kent), Barrister-at-Law (Middle Temple)

Members
Tee Choon Yeow
Independent
Non-Executive Director
B.Com., CA (NZ), CA (M'sia),
FCPA (Aust)

Members
Quah Poh Keat
Non-Independent
Non-Executive Director
FCCA (UK), CA (M'sia),
CPA (M'sia), ACMA (UK),
Fellow MIT (M'sia)
(Ceased as Member with effect from 30 October 2018)

Members
Chan Kwai Hoe
Independent
Non-Executive Director
BEc (Hons)
Analytical Econs

Members
Soo Chow Lai
Independent
Non-Executive Director
BA Econs (Hons)
(Appointed as Member with effect from 1 August 2018)

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is established by the Board of Directors ("Board") and comprises five non-executive directors of whom four are independent directors. The Chairman of the Audit Committee is appointed by the Board and is an independent non-executive director and also not the Chairman of the Board. The members of the Audit Committee have the relevant accounting or related experience and expertise in the financial services industry.

ATTENDANCE OF MEETINGS

The details of attendance of each member at the Audit Committee meetings held during 2018 are as follows:

Name of Audit Committee Member	Attendance at Audit Committee Meetings
Lee Chin Guan *Chairman/ Independent Non-Executive Director*	4/4
Tee Choon Yeow *Member/ Independent Non-Executive Director*	4/4
Quah Poh Keat *Member/ Non-Independent Non-Executive Director* *(Ceased as Member with effect from 30 October 2018)*	4/4
Chan Kwai Hoe *Member/ Independent Non-Executive Director*	4/4
Soo Chow Lai *Member/ Independent Non-Executive Director* *(Appointed as Member with effect from 1 August 2018)*	1/1

The Audit Committee met four times during the year.

The Audit Committee meetings were attended by the Internal Auditors, the Chief Executive Officer and certain members of senior management. The role of the Audit Committee is to ensure that recommendations made by both internal and external auditors, as well as by regulators, are addressed and dealt with in a timely manner.

In performing its function, the Audit Committee had met the external auditors without the presence of any executive member of the Board and management staff on 10 January 2018.

The details of the terms of reference of the Audit Committee are available at www. lpicapital.com.

SUMMARY OF ACTIVITIES

During the year, the Audit Committee carried out the following activities:

1 FINANCIAL RESULTS

- Reviewed the annual audited financial statements of the Company/ Group and quarterly results of the Group, and thereafter, submitted them to the Board for approval.
- Reviewed the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements for Board's approval.
- Reviewed the Press Release Statements and recommended them to the Board for approval.
- Reviewed the documents for submission to Bank Negara Malaysia ("BNM") pursuant to Section 51(1) of the Financial Services Act 2013 on the declaration and payment of dividend, and thereafter, recommended to the Board for approval.

In reviewing the annual audited financial statements, the Audit Committee discussed with the Management and the external auditors the accounting principles and standards that were applied and their opinion on the items that may affect the financial statements.

2 INTERNAL AUDIT

- Reviewed the results of the Group's internal audit procedures and the adequacy of actions taken by the Management based on the internal audit reports. Where appropriate, the Audit Committee has directed the Management to rectify and improve controls and operational workflow based on internal auditors' recommendations.
- Reviewed the internal audit reports arising from the follow-up review of each audit to ensure that all control lapses have been addressed.

- Reviewed the Internal Audit Reports on the Observation of Business Continuity Plan/ Disaster Recovery Plan ("BCP/ DRP") testings pursuant to the Guidelines on Business Continuity Management (Revised) ("BCM") issued by BNM.
- Reviewed the Internal Audit Reports on the Review of BCP/ DRP Post-Test Analysis Reports pursuant to the Guidelines on BCM.
- Reviewed the level of commitment to BCM and the overall preparedness against its BCM policies and regulatory requirements, in accordance with the Guidelines on BCM.
- Reviewed the Internal Audit Report on Review of Stress Test Policy pursuant to the Policy Document on Stress Testing issued by BNM.
- Discussed the 2017 Supervisory Letter from BNM and the draft reply letter to BNM pertaining to the actions taken/ or to be taken, together with the respective timelines.
- Reviewed the Independent Validation Report on Differential Levy System ("DLS") Quantitative Information and Return on Calculation of Levies ("RCL") to Perbadanan Insurans Deposit Malaysia ("PIDM") for the financial year ended 31 December 2017.
- Reviewed the Internal Audit Department's comments and recommendations on the risk management and capital management processes relating to Internal Capital Adequacy Assessment Process ("ICAAP"), in accordance with the Guidelines on ICAAP for Insurers issued by BNM.
- Reviewed the Report on Actuarial Valuation Process.
- Reviewed the Report on Assessment of Outsourcing Arrangement of Singapore branch.
- Reviewed the Report on Review of Storage and Transportation of Sensitive Data in Removable Media.
- Reviewed the revised Internal Audit Charter and recommended to the Board for approval.
- Approved the Internal Audit Plan 2019.
- Noted the Conclusion Report on Audit Findings.
- Noted the Report on Internal Audit Function.
- Evaluated the performance of Internal Audit Function.
- Noted the resignation of Internal Audit staff.

The Audit Committee acknowledges that the internal control system of LPI Group, which was enforced throughout the financial year up to the date of this report, provided reasonable although not absolute assurance against material financial misstatements or loss. The internal controls were also deemed sufficient in ensuring the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of financial risks.

The Audit Committee arrived at these conclusions as there is no evidence that there has been any shortcomings in the aforementioned processes. Nevertheless, the Audit Committee notes that the internal control system cannot provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

3 EXTERNAL AUDIT

- Reviewed the following with the external auditors:
  - their audit plan, audit strategy and scope of audits of the Company/ Group for the year;
  - their evaluation on the system of internal controls of the Company/ Group;
  - the results of the annual audit, management letter for insurance subsidiary including the Management's response to the findings of the external auditors and also the auditors' report to the shareholders.
- Discussed the letters of engagement from the external auditors and recommended them to the Board for approval.
- Reviewed the suitability, objectivity and independence of the external auditors and recommended to the Board for re-appointment and the audit fee thereof and also approved the provision of non-audit services by the external auditors.
- Reviewed the draft Limited Assurance Report of the external auditors to the Board on the Statement on Risk Management and Internal Control.
- Reviewed the draft representation letters to external auditors.
- Met with the external auditors without any executive Board members and management staff present.

AUDIT COMMITTEE
REPORT

4 RELATED PARTY TRANSACTIONS

- The Audit Committee reviewed the related party transactions and possible conflict of interest situations that may arise within LPI Group in accordance with the Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) issued by Bursa Malaysia Berhad, and thereafter recommended the same to the Board for noting. During this annual review, the Audit Committee deliberated on the key issues pertaining to the related party transactions as recommended in Exhibit 7 of the Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition).
- Upon its review, the Audit Committee concurred with the Management's recommendation that the related party transactions were carried out on normal commercial terms, and not prejudicial to the interests of the Group or its minority shareholders.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the Internal Audit Department ("IAD") in discharging its duties and responsibilities. The Internal Audit function is an integral part of the assurance framework and its primary role is to provide assurance on the adequacy and effectiveness of the risk management, control and governance framework of the Group. The IAD was established to provide independent, objective assurance and consulting activities within the Group to add value and improve the Group's operations through audits of the Group's key operations and also to ensure consistency in the control environment and compliance with established policies and procedures, rules, regulations, guidelines, directives and laws.

The Head of IAD reports directly to the Audit Committee to maintain the objectivity and independence of the Internal Audit function. The Head of IAD has the authority to communicate directly, as and when necessary to the Board, Chairman of the Board, the regulators and the external auditors where appropriate. The Internal Audit Charter, which sets out the mission, objectives, independence, authority, roles and responsibilities, resources and scope of audit work of the IAD, is approved by the Board and communicated throughout the organisation. The Internal Audit Charter is reviewed once in every 3 years.

The Internal Audit function is carried out by IAD based on the annual audit plan that is reviewed and approved by the Audit Committee. The audit plan includes reviews of the adequacy of operational controls, risk management, compliance with established policies, procedures, laws and regulations, quality of assets, management efficiency as well as effectiveness of computer application systems and telecommunications network. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it is adequately resourced with competent and proficient internal auditors.

Pursuant to the Guidelines on Internal Audit Function of Licensed Institutions issued by BNM, the Audit Committee has approved the evaluation process for the Internal Audit function, which provides a formal and transparent procedure for the Audit Committee to evaluate the Internal Audit function. The Audit Committee evaluates the Internal Audit function of the Group once in every 2 years.

A risk-based audit approach is implemented to ensure that higher risk activities in each auditable area are audited more frequently. This is designed to evaluate and enhance risk management, control and governance processes to assist management in achieving its corporate goals. The audits further help to ensure that appropriate instituted controls are in place, effectively applied and achieved acceptable risk exposures in accordance with the Group's risk management policy.

During the year, IAD conducted various internal audit engagements in accordance with the annual audit plan which are consistent with the organisation's goals. IAD evaluated the adequacy and effectiveness of key controls in response to risks within the Group's governance, operations and information systems. The areas evaluated include the following:

Relevancy, reliability, integrity, accuracy, completeness and timeliness of financial and operational information;

Adequacy of controls to safeguard the Group's assets;

Adequacy and effectiveness of the system of internal controls;

Compliance with policies, procedures, rules, regulations, guidelines, directives and laws;

Integrity of risks measurement, adequacy of control and reporting systems and compliance with approved risk management policies and procedures;	Effectiveness of Information System ("IS") in supporting the business activities and the adequacy of controls over IS management, systems development and programming, computer operations and security and data integrity;	Level of commitment to BCM, and overall preparedness against the Group's BCM policies and regulatory requirements as well as adequacy and effectiveness of Business Continuity Plan and Disaster Recovery Plan testings;
Nature of the related party transactions and conflict of interest situation that could raise questions of management integrity;	Quality and effectiveness of the stress test policy;	Risk management and capital management processes relating to ICAAP in accordance with the Guidelines on ICAAP for Insurers issued by BNM; and
Adequacy and effectiveness of the Group's system in assessing its capital in relation to its estimate of risks;	Adequacy and effectiveness of the Validation Programme for DLS Quantitative Information and RCL to PIDM;	Adequacy and effectiveness of the actuarial valuation process.

The Internal Audit Reports prepared by IAD arising from the audits are deliberated by the Audit Committee and recommendations are duly acted upon by the management. Follow-up reviews are conducted by IAD to ensure that all matters arising from each audit are adequately and promptly addressed by the auditee/ management.

IAD assumes a consultative role prior to the implementation of new information technology projects to evaluate the risk exposures and controls that should be in place to mitigate the risks identified. Nevertheless, IAD will not be involved in the system selection or implementation process to maintain its objectivity and independence.

IAD works collaboratively with the Enterprise Risk Management Department to review and assess the adequacy and effectiveness of the risk management processes within the LPI Group. All the internal audit activities were performed in-house. The total cost incurred in managing IAD in 2018 was RM2,766,000.

A summary of the internal audit costs is as follows:

Cost Category	RM'000	% of Total Cost
Manpower	2,656	96.0
Training	25	0.9
Travelling (inclusive of accommodation)	85	3.1
Total	2,766	100.0

FINANCIAL STATEMENTS

ANALYSIS OF THE
FINANCIAL STATEMENTS

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

	2018 RM'mil	2017 RM'mil	Increase/ (Decrease) Amount RM'mil	%
Assets				
Plant and equipment	**18.3**	17.1	1.2	7.0
Investment properties	**27.4**	27.3	0.1	0.4
Investment in associated company	**31.6**	26.9	4.7	17.5
Fair value through other comprehensive income financial assets	**1,090.9**	-	1,090.9	100.0
Fair value through profit or loss financial assets	**179.8**	-	179.8	100.0
Amortised cost financial assets	**97.9**	-	97.9	100.0
Available-for-sale financial assets	**-**	927.4	(927.4)	(100.0)
Held-to-maturity financial assets	**-**	219.3	(219.3)	(100.0)
Reinsurance assets	**819.6**	692.8	126.8	18.3
Loans and receivables (excluding insurance receivables)	**1,351.0**	1,419.3	(68.3)	(4.8)
Insurance receivables	**160.0**	156.4	3.6	2.3
Deferred acquisition costs	**45.6**	33.7	11.9	35.3
Cash and cash equivalents	**418.5**	294.4	124.1	42.2
Total Assets	**4,240.6**	3,814.6	426.0	11.2
Total Equity	**2,156.8**	1,920.9	235.9	12.3
Liabilities				
Insurance contract liabilities	**1,859.0**	1,636.4	222.6	13.6
Deferred tax liabilities	**4.9**	1.0	3.9	390.0
Finance lease liabilities	**-**	0.9	(0.9)	(100.0)
Insurance payables	**88.5**	121.9	(33.4)	(27.4)
Other payables	**107.1**	110.8	(3.7)	(3.3)
Tax payables	**24.3**	22.7	1.6	7.0
Total Liabilities	**2,083.8**	1,893.7	190.1	10.0
Total Equity and Liabilities	**4,240.6**	3,814.6	426.0	11.2

ANALYSIS OF THE FINANCIAL STATEMENTS

TOTAL ASSETS

As at 31 December 2018, the Group maintained a strong balance sheet with total assets stood at RM4,240.6 million, an increase of 11.2% or RM426.0 million over the previous financial year. The total assets growth in 2018 was mainly attributed by the increase in fair value through other comprehensive income financial assets, reinsurance assets and cash and cash equivalents. The increase in fair value through other comprehensive income financial assets was contributed by increase in the market value and the increase in reinsurance assets and cash and cash equivalents are primarily driven by the profit registered in 2018.

PLANT AND EQUIPMENT

The Group's plant and equipment increased by RM1.2 million to RM18.3 million from RM17.1 million in 2017. The increase was mainly due to the acquisition of assets during the year.

INVESTMENT PROPERTIES

The investment properties of the Group increased by RM0.1 million to RM27.4 million from RM27.3 million registered in 2017. The increase was due to the changes in foreign exchange rate. The investment properties were revalued in accordance with the revaluation report issued by the external independent valuer.

INVESTMENT IN ASSOCIATED COMPANY

The Group's investment in associated company is in respect of its investment in Campu Lonpac Insurance Plc ("Campu Lonpac"), where the Group has a 45% interest in the company. The Group records its investment in the shares of Campu Lonpac using the equity method. The investment in associated company increased by 17.5% or RM4.7 million to RM31.6 million from RM26.9 million in the previous year as a result of profit generated during the year and foreign exchange translation gain. The Group's share of the profit after tax from this associated company for the current financial year ended 31 December 2018 increased by RM1.7 million to RM4.1 million from RM2.4 million in 2017.

OTHER INVESTMENT

The Group has adopted MFRS 9, *Financial Instruments* on 1 January 2018 as explained in the Note 39 to the financial statements. As a result of the adoption, the Other Investment of the Group as at 1 January 2018 has been reclassified and remeasured as below:

	As at 31.12.2017 RM'mil	Reclassification & Remeasurement RM'mil	As at 01.01.2018 RM'mil
Other Investment (Financial Assets)			
Fair value through other comprehensive income	-	915.5	**915.5**
Fair value through profit or loss	-	153.8	**153.8**
Amortised cost	-	81.2	**81.2**
Available-for-sale	927.4	(927.4)	**-**
Held-to-maturity	219.3	(219.3)	**-**
Total Other Investment	**1,146.7**	**3.8**	**1,150.5**

The increase in Other Investment during the year is presented as below:

	As at 31.12.2018 RM'mil	As at 01.01.2018 RM'mil	Increase/ (Decrease) Amount RM'mil	%
Other Investment (Financial Assets)				
Fair value through other comprehensive income	**1,090.9**	**915.5**	175.4	19.2
Fair value through profit or loss	**179.8**	**153.8**	26.0	16.9
Amortised cost	**97.9**	**81.2**	16.7	20.6
Total Other Investment	**1,368.6**	**1,150.5**	218.1	19.0

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

The Group has elected to designate equity investment not held for trading purpose to be classified as fair value through other comprehensive income (FVOCI) financial assets. The FVOCI financial assets consist of blue-chip stocks that have good and consistent dividend payouts. Throughout the year, the value of FVOCI financial assets increased by 19.2% or RM175.4 million to RM1,090.9 million from RM915.5 million as at 1 January 2018 contributed by the increase in the market value.

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

The Group classifies all other investments which were not designated as FVOCI and do not give rise to cash flows that are solely payments of principal and interest as fair value through profit or loss (FVTPL) financial assets. The FVTPL financial assets increased by 16.9% or RM26.0 million to RM179.8 million from RM153.8 million as at 1 January 2018 mainly due to the increase in the investment in unit trusts by RM30.0 million to RM36.0 million from RM6.0 million in 2017. Whilst the investment in Real Estate Investment Trusts (REITs) increased by RM1.4 million to RM2.4 million from RM1.0 million in 2017. The investment in corporate debt securities decreased by 3.5% or RM5.0 million to RM135.9 million from RM140.9 million was due to the maturity of corporate debt securities. The value of Exchange Traded Fund (ETF) decreased by 6.5% or RM41,000 to RM590,000 from RM631,000 in 2017.

ANALYSIS OF THE FINANCIAL STATEMENTS

AMORTISED COST FINANCIAL ASSETS

The Group classifies debt securities which held within a business model whose objective is achieved by collecting contractual cash flows and the contract term give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding as amortised cost (AC) financial assets. The Group's AC financial assets consist of government guaranteed loans and corporate debt securities which are mainly held for yield and liquidity purposes. The AC financial assets increased by 20.6% or RM16.7 million to RM97.9 million from RM81.2 million as at 1 January 2018 was due to new purchases of corporate debt securities during the year.

REINSURANCE ASSETS

As at 31 December 2018, the reinsurers share of provision for outstanding claims and provision for unearned premium (Reinsurance assets) increased by 18.3% or RM126.8 million to RM819.6 million from RM692.8 million in 2017.

LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

The Group's loans and receivables as at 31 December 2018 are largely comprised of fixed deposits placed with licensed financial institutions with maturities above 3 months, staff loans and other receivables. The Group's loans and receivables decreased by 4.8% or RM68.3 million to RM1,351.0 million from RM1,419.3 million in 2017 mainly due to the placement of fixed deposit with maturity more than 3 months which decreased by 4.3% or RM55.4 million to RM1,230.9 million from RM1,286.3 million in 2017 mainly due to the investment in high liquid money market unit trusts funds. Other receivables decreased by 10.0% or RM9.9 million to RM89.0 million from RM98.9 million in 2017. The decline was mainly due to the decrease in amount due from Malaysian Motor Insurance Pool by 10.6% or RM6.3 million to RM52.9 million from RM59.2 million in 2017 and other receivables, deposit and prepayment by 33.1% or RM4.2 million to RM8.5 million from RM12.7 million in 2017. Staff loans decreased by 8.8% or RM3.0 million to RM31.2 million from RM34.2 million in 2017.

INSURANCE RECEIVABLES

In tandem with the growth in gross premium income, the Group's insurance receivables increased by 2.3% or RM3.6 million to RM160.0 million from RM156.4 in 2017.

DEFERRED ACQUISITION COSTS

The Group's deferred acquisition costs consist mainly of commissions to agents and brokers increased by 35.3% or RM11.9 million to RM45.6 million from RM33.7 million in 2017. The increase is in tandem with the growth in gross written premiums.

CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents are made up of cash in-hand and balances with banks, fixed deposits placed with licensed financial institutions with maturities of 3 months or less and highly liquid money market unit trusts fund. The Group's cash and cash equivalents increased by 42.2% or RM124.1 million to RM418.5 million from RM294.4 million in 2017. The increase was mainly due to the investment in the liquid money market unit trusts funds increased by RM103.0 million to RM154.4 million from RM51.4 million in 2017. The fixed deposits placements with maturities of three months or less also increased by 8.3% or RM18.3 million to RM239.2 million from RM220.9 million in 2017.

TOTAL LIABILITIES

The Group's total liabilities increased by 10.0% or RM190.1 million to RM2,083.8 million from RM1,893.7 million in 2017. The increase was primarily due to the higher provision of unearned premium and outstanding claims. Total insurance contract liabilities accounted for 89.2% or RM1,859.0 million of the Group's total liabilities, of which RM1,087.8 million related to the provision for outstanding claims and RM771.2 million to provision for unearned premium.

INSURANCE CONTRACT LIABILITIES

The Group's insurance contract liabilities consist of gross provision for outstanding claims and gross provision for unearned premium. Total insurance contract liabilities increased by 13.6% or RM222.6 million to RM1,859.0 million from RM1,636.4 million in 2017. The increase amount of RM222.6 million consists of RM167.0 million in provision for outstanding claims and RM55.6 million in provision for unearned premium reserves.

INSURANCE PAYABLES

The Group's insurance payables decreased by 27.4% or RM33.4 million to RM88.5 million from RM121.9 million in 2017. The decrease was mainly due to lower outstanding net balance due to reinsurers.

OTHER PAYABLES

The Group's other payables decreased by 3.3% or RM3.7 million to RM107.1 million from RM110.8 million in 2017. The decrease was mainly due to the cash collateral deposits refunded to the policyholders.

SHAREHOLDERS' EQUITY

The Group's shareholders' equity as at 31 December 2018 increased by 12.3% or RM235.9 million to RM2,156.8 million from RM1,920.9 million in 2017 after the payment of dividends amounting to RM253.0 million (consist of RM149.4 million second interim for financial year 2017 and RM103.6 million first interim for financial year 2018) during the year, with an encouraging return on equity of 14.6%. The growth was the result of another year of strong net profit of RM314.0 million achieved for the year 2018. Accordingly, the Group's retained earnings still managed to rise by RM0.7 million to RM804.7 million from RM804.0 million as at 1 January 2018 (adjusted upon initial application of MFRS 9, *Financial Instruments*) despite of the capitalisation of RM60.1 million as share capital as explained below and payment of dividends of RM253.0 million as mentioned above.

During the financial year, the Company increased its issued and paid up ordinary shares from 331,985,808 to 398,382,753 on the basis of one (1) new ordinary share of RM1.00 each for every five (5) existing ordinary shares held by way of capitalisation of RM1.00 for each Bonus Share of RM6,258,124 from the share premium account and RM60,138,821 from retained earnings of the Company. The bonus issue exercise was completed on 12 April 2018 following the listing of and quotation for the 66,396,945 bonus shares on the Main Market of Bursa Malaysia Securities. The Group's net tangible asset per share decreased to RM5.41 as compared to RM5.79 as at the end of financial year 2017 resulted from the bonus issue exercise.

ANALYSIS OF THE
STATEMENT OF PROFIT OR LOSS

	2018 RM'mil	2017 RM'mil	Increase/ (Decrease) Amount RM'mil	%
Operating revenue	**1,513.7**	1,470.6	43.1	2.9
Gross written premium	**1,469.4**	1,421.3	48.1	3.4
Change in unearned premium reserve	**(55.5)**	(40.7)	14.8	36.4
Gross earned premium	**1,413.9**	1,380.6	33.3	2.4
Gross written premium ceded to reinsurers	**(464.8)**	(553.8)	(89.0)	(16.1)
Change in unearned premium reserve	**(18.3)**	23.4	(41.7)	(178.2)
Premium ceded to reinsurers	**(483.1)**	(530.4)	(47.3)	(8.9)
Net earned premium	**930.8**	850.2	80.6	9.5
Investment income	**99.8**	90.0	9.8	10.9
Realised gains	**-**	2.9	(2.9)	(100.0)
Fair value gains	**0.1**	-	0.1	100.0
Commission income	**104.0**	118.6	(14.6)	(12.3)
Net reversal of impairment loss on insurance receivables	**-**	2.9	(2.9)	(100.0)
Other operating income	**6.8**	7.9	(1.1)	(13.9)
Other income	**210.7**	222.3	(11.2)	(5.0)
Net claims incurred	**(381.0)**	(327.7)	(53.3)	(16.3)
Realised losses	**(0.1)**	-	0.1	100.0
Fair value losses	**(1.8)**	-	1.8	100.0
Commission expense	**(162.8)**	(162.8)	-	-
Management expenses	**(192.6)**	(180.7)	11.9	6.6
Net impairment loss on insurance receivables	**(1.3)**	-	1.3	100.0
Other expenses	**(358.6)**	(343.5)	15.1	4.4
Operating profit	**401.9**	401.3	0.6	0.1
Share of profit after tax of equity accounted associated company	**4.1**	2.4	1.7	70.8
Profit before tax	**406.0**	403.7	2.3	0.6
Tax expense	**(92.0)**	(89.9)	2.1	2.3
Net profit for the year	**314.0**	313.8	0.2	0.1

ANALYSIS OF THE
STATEMENT OF PROFIT OR LOSS

Despite the challenging economic environment and a highly competitive market, the LPI Group continued to deliver a good set of results for the financial year ended 31 December 2018. The LPI Group's revenue grew by 2.9% or RM43.1 million to RM1,513.7 million compared to RM1,470.6 million in 2017. The Group's profit before taxation increased by RM2.3 million or 0.6% to RM406.0 million from RM403.7 million in 2017 mainly contributed by higher investment income. The Group's net profit increased by RM0.2 million or 0.1% to RM314.0 million as compared to RM313.8 million in the previous year. The Group's earnings per share increased to 78.83 sen compared to 78.77 sen last year. Return on equity decreased to 14.6% from 16.3% reported in 2017 due to higher shareholders' equity.

The Group's underwriting results decreased slightly by 0.8% or RM2.3 million to RM303.5 million in 2018 from RM305.8 million in 2017, mainly attributed to the higher net claims incurred. The claims incurred ratio increased to 40.9% from 38.5% in 2017 and the combined ratio also increased to 67.3% from 64.0% in 2017. (Underwriting results is defined as Net Earned Premium – Net Claims Incurred + Commission Income – Commission Expenses – Management Expenses of Insurance Fund).

OPERATING REVENUE

The LPI Group's operating revenue rose by 2.9% or RM43.1 million to RM1,513.7 million from RM1,470.6 in 2017 mainly from higher gross earned premium which contributed 93.4% of the total operating revenue in 2018.

Operating Revenue	2018 RM'000	2017 RM'000	Variance RM'000	Variance %	Contribution 2018 %
Gross earned premium	**1,413,894**	1,380,627	33,267	2.4	**93.4**
Dividend income	**32,926**	28,191	4,735	16.8	**2.2**
Interest income	**65,961**	60,972	4,989	8.2	**4.3**
Rental of premises	**882**	841	41	4.9	**0.1**
Total	**1,513,663**	1,470,631	43,032	2.9	**100.0**

GROSS WRITTEN PREMIUMS AND GROSS EARNED PREMIUMS

The Group's gross written premiums grew 3.4% or RM48.1 million to RM1,469.4 million from RM1,421.3 million in 2017. Fire and Motor insurances were the largest contributors to the growth, which accounted for approximately 42.4% and 22.4% of the total gross written premium respectively in 2018. The gross earned premiums rose 2.4% or RM33.3 million to RM1,413.9 million from RM1,380.6 million in 2017. This was the result of organic growth and the continued expansion of its agency force and the strong contribution from its global partnership.

GROSS WRITTEN PREMIUMS BY CLASS OF BUSINESS

Class	2018 RM'000	2017 RM'000	Variance RM'000	Variance %	Contribution 2018 %
Fire	**622,759**	560,300	62,459	11.1	**42.4**
Motor	**328,988**	297,550	31,438	10.6	**22.4**
Marine	**75,335**	78,110	(2,775)	(3.6)	**5.1**
Miscellaneous	**442,295**	485,379	(43,084)	(8.9)	**30.1**
Total	**1,469,377**	1,421,339	48,038	3.4	**100.0**

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

GROSS EARNED PREMIUMS BY CLASS OF BUSINESS

Operating Revenue	2018 RM'000	2017 RM'000	Variance RM'000	Variance %	Contribution 2018 %
Fire	**596,110**	583,662	12,448	2.1	**42.2**
Motor	**309,951**	307,251	2,700	0.9	**21.9**
Marine	**77,729**	81,042	3,313	(4.1)	**5.5**
Miscellaneous	**430,104**	408,672	21,432	5.2	**30.4**
Total	**1,413,894**	1,380,627	33,267	2.4	**100.0**

NET EARNED PREMIUMS

The Group's net earned premiums increased in tandem with the higher gross earned premium by 9.5% or RM80.6 million to RM930.8 million when compared to RM850.2 million in 2017. The growth was mainly contributed by Miscellaneous and Motor classes of business.

NET EARNED PREMIUMS BY CLASS OF BUSINESS

Operating Revenue	2018 RM'000	2017 RM'000	Variance RM'000	Variance %	Contribution 2018 %
Fire	**392,598**	375,811	16,787	4.5	**42.2**
Motor	**287,251**	264,075	23,176	8.8	**30.9**
Marine	**18,952**	17,973	979	5.4	**2.0**
Miscellaneous	**232,033**	192,295	39,738	20.7	**24.9**
Total	**930,834**	850,154	80,680	9.5	**100.0**

OTHER INCOME

The Group's other income, consists mainly of investment income, realised gains on disposals of investment and commission income, decreased by 5.2% or RM11.6 million to RM210.7 million from RM222.3 million in 2017. The decrease was mainly due to lower commission income earned from reinsurers, resulting from the Group has increased its retention level in 2018.

INVESTMENT INCOME

Investment income increased by 10.9% or RM9.8 million to RM99.8 million from RM90.0 million in 2017 which comprised mainly dividend and interest. The Group's interest income from investment in fixed income securities and fixed deposits grew by 8.2% or RM5.0 million to RM66.0 million from RM61.0 million in 2017, whilst its dividend income from investment in equities and unit trusts increased by 16.8% or RM4.7 million to RM32.9 million from RM28.2 million in 2017.

REALISED GAINS AND LOSSES

During the financial year, the Group recorded a realised loss of RM70,000 from early redemption of a corporate debt security carried at amortised cost compared to realised gains of RM2.9 million recorded last year mainly from the disposal of equity instrument classified as available-for-sale.

FAIR VALUE GAINS AND LOSSES

As a result of adoption of MFRS 9, *Financial Instruments*, the Group measures its financial assets classified as fair value through profit or loss (FVTPL) at fair value and any changes in fair value is recognised as fair value gains or loss in the statement of profit or loss. During the year, the Group has registered a fair value gains of RM0.1 million from its unquoted equity securities and fair value losses of RM1.8 million arising from corporate debt securities of RM1.3 million, quoted equity securities of RM0.4 million and unit trusts of RM0.1 million.

COMMISSION INCOME

The Group's commission income decreased by 12.3% or RM14.6 million to RM104.0 million from RM118.6 million in 2017. The decrease was mainly due to lesser premiums ceded to reinsurers as the Group decided to retain more premiums, resulting in lower reinsurance commission income earned.

OTHER OPERATING INCOME

Other operating income of the Group decreased by 13.9% or RM1.1 million to RM6.8 million as compared to RM7.9 million in 2017 mainly due to lower investment income generated from Malaysian Motor Insurance Pool.

NET CLAIMS INCURRED

The Group's net claims incurred increased by 16.3% or RM53.3 million to RM381.0 million from RM327.7 million in 2017. The increase in the Group's net claims incurred was driven primarily by higher premium income. Our discipline and prudent risk selection and claims management enabling us to keep the claims incurred ratio at 40.9%, though increase slightly from 38.5% in 2017.

NET CLAIMS INCURRED BY CLASS OF BUSINESS

			Variance		Contribution 2018
Class	2018 RM'000	2017 RM'000	RM'000	%	%
Fire	**52,326**	56,361	(4,035)	(7.2)	**13.7**
Motor	**210,745**	187,433	23,312	12.4	**55.3**
Marine	**2,919**	5,036	(2,117)	(42.0)	**0.8**
Miscellaneous	**114,978**	78,881	36,097	45.8	**30.2**
Total	**380,968**	327,711	53,257	16.3	**100.0**

ANALYSIS OF THE
STATEMENT OF PROFIT OR LOSS

NET CLAIMS INCURRED RATIO BY CLASS OF BUSINESS

Class	2018 %	2017 %	Variance Percentage points
Fire	**13.3**	15.0	(1.7)
Motor	**73.4**	71.0	2.4
Marine	**15.4**	28.0	(12.6)
Miscellaneous	**49.6**	41.0	8.6
Total	**40.9**	38.5	2.4

COMMISSION EXPENSE

The Group managed to maintain commission expense at RM162.8 million despite with the growth in gross written premium of 3.4%.

MANAGEMENT EXPENSES

The management expenses of the Group increased by 6.6% or RM11.9 million to RM192.6 million from RM180.7 million in 2017. Higher revenue has led to a corresponding increase in personnel cost and marketing expenses, while the expansion of the Group's operations has also resulted in higher administrative expenses. The staff cost constituted RM118.2 million or 61.4% of the Group's total management expenses of RM192.6 million.

IMPAIRMENT LOSS ON INSURANCE RECEIVABLES

As a result of adoption of MFRS 9, *Financial Instruments*, the Group is required to recognise allowance for impairment on its financial assets by using "expected credit loss" ("ECL") model. During the year, the Group recognised RM1.3 million impairment loss on the insurance receivables compared to a net reversal of impairment loss of RM2.9 million recorded in 2017.

TAXATION

The Group's tax expense increased by RM2.1 million to RM92.0 million from RM89.9 million in 2017. The Group's effective tax rate for the current financial year was 22.7% which was lower than the statutory tax rate of 24.0%. The lower tax rate was mainly due to the tax-exempt dividends received.

STATEMENT OF RESPONSIBILITY
BY DIRECTORS

Pursuant to paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Company are drawn up in accordance with the requirements of the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, Bank Negara Malaysia's Guidelines and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Company are prepared with reasonable accuracy from the accounting records of the Group and the Company so as to give a true and fair view of the financial position of the Group and the Company as of 31 December 2018 and of their financial performance and cash flows for the year then ended.

In preparing the annual audited financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements on a going concern basis.

The Directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

for the year ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding activities while the principal activity of the subsidiary are as stated in Note 5 to the financial statements. There has been no significant change in the nature of this principal activity during the financial year.

SUBSIDIARY

The details of the Company's subsidiary are disclosed in Note 5 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	314,049	236,350

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

(i) In respect of the financial year ended 31 December 2017 as reported in the Directors' Report of that year:

- a second interim single tier dividend of 45.00 sen per ordinary share totalling RM149,393,614 declared on 10 January 2018 and paid on 6 February 2018.

(ii) In respect of the financial year ended 31 December 2018:

- a first interim single tier dividend of 26.00 sen per ordinary share totalling RM103,579,516 declared on 9 July 2018 and paid on 1 August 2018.

Subsequent to the financial year end, on 29 January 2019, the Directors declared a second interim single tier dividend of 42.00 sen per ordinary share on the issued and paid-up share capital as at the entitlement date on 18 February 2019 in respect of the financial year ended 31 December 2018. The dividend will be payable on 27 February 2019. The Directors do not propose any final dividend for the financial year ended 31 December 2018.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow
Tee Choon Yeow
Tan Kok Guan
Lee Chin Guan
Quah Poh Keat
Chan Kwai Hoe
Soo Chow Lai (appointed on 1 August 2018)

LIST OF DIRECTORS OF SUBSIDIARY

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiary during the financial year and up to the date of this report is as follows:

Tan Sri Dato' Sri Dr. Teh Hong Piow (cessation on 8 January 2019)
Tee Choon Yeow
Lee Chin Guan
Tan Kok Guan (cessation on 8 January 2018)
Looi Kong Meng (appointed on 8 January 2018)
Quah Poh Keat
Chan Kwai Hoe
Mohd Suffian Bin Haji Haron
Wong Ah Kow (appointed on 1 September 2018)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2018	Bonus issue	Sold	At 31.12.2018
Interests in the Company:				
Tan Sri Dato' Sri Dr. Teh Hong Piow				
- own	4,684,800	936,960	-	5,621,760
- deemed interest	142,015,200	28,403,040	-	170,418,240
Tee Choon Yeow				
- own	960,000	192,000	-	1,152,000
Tan Kok Guan				
- deemed interest	525,000	105,000	-	630,000
Lee Chin Guan				
- own	2,200,000	438,600	(138,600)	2,500,000

DIRECTORS' REPORT
for the year ended 31 December 2018

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

By virtue of their interests in the shares of the Company as shown above, Tan Sri Dato' Sri Dr. Teh Hong Piow is also deemed interested in the shares of the subsidiary during the financial year to the extent that LPI Capital Bhd has an interest.

None of the other Directors holding office at 31 December 2018 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations as disclosed in Note 27 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than a Director who have substantial financial interests in companies which traded with companies in the Group in the ordinary course of business as disclosed in Note 35 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up ordinary shares from 331,985,808 to 398,382,753 on the basis of one new ordinary share for every five existing ordinary shares by way of capitalisation of RM1.00 for each Bonus Share of RM6,258,124 from the share premium account and RM60,138,821 from retained earnings of the Company. The bonus issue exercise was completed on 12 April 2018 following the listing of and quotation for the 66,396,945 bonus shares on the Main Market of Bursa Malaysia Securities.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

The following disclosure on particulars of indemnity given to, or insurance effected for, any Director or officer of the Company is made pursuant to Section 289(7) of the Companies Act 2016:

	Amount paid RM'000	Sum insured RM'000
Directors and Officers Liability Insurance	36	28,000

There were no indemnity given to, or insurance effected for auditors of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia,

(ii) all known impaired debts have been written off and adequate impairment allowance made for impaired debts, and

(iii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for impaired debts, or the amount of the provision for impaired debts and IBNR claims in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent liabilities and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

for the year ended 31 December 2018

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 26 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tee Choon Yeow
Director

Tan Kok Guan
Director

Date: 29 January 2019

STATEMENTS
OF FINANCIAL POSITION
as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Plant and equipment	3	**18,259**	17,138	**327**	435
Investment properties	4	**27,360**	27,270	**-**	-
Investment in a subsidiary	5	**-**	-	**200,000**	200,000
Investment in an associated company	6	**31,564**	26,877	**10,833**	10,833
Other investments		**1,368,652**	1,146,699	**1,062,949**	893,580
- Fair value through other comprehensive income	7(a)	**1,090,899**	-	**1,052,813**	-
- Fair value through profit or loss	7(b)	**179,831**	-	**10,136**	-
- Amortised cost	7(c)	**97,922**	-	**-**	-
- Available-for-sale	7(d)	**-**	927,356	**-**	883,580
- Held-to-maturity	7(e)	**-**	219,343	**-**	10,000
Reinsurance assets	8	**819,596**	692,791	**-**	-
Loans and receivables, excluding insurance receivables	9(a)	**1,351,063**	1,419,352	**116,280**	101,911
Insurance receivables	9(b)	**159,997**	156,379	**-**	-
Deferred acquisition costs	10	**45,553**	33,650	**-**	-
Cash and cash equivalents	11	**418,509**	294,459	**31,798**	63,076
Total assets		**4,240,553**	3,814,615	**1,422,187**	1,269,835
Equity					
Share capital		**398,383**	338,244	**398,383**	338,244
Reserves		**1,758,402**	1,582,667	**1,022,454**	929,750
Total equity	12	**2,156,785**	1,920,911	**1,420,837**	1,267,994
Liabilities					
Insurance contract liabilities	13	**1,858,994**	1,636,422	**-**	-
Deferred tax liabilities	14	**4,893**	1,001	**-**	-
Finance lease liabilities	15	**-**	899	**-**	-
Insurance payables	16	**88,498**	121,894	**-**	-
Other payables	17	**107,112**	110,817	**1,163**	1,198
Current tax payables		**24,271**	22,671	**187**	643
Total liabilities		**2,083,768**	1,893,704	**1,350**	1,841
Total equity and liabilities		**4,240,553**	3,814,615	**1,422,187**	1,269,835

The notes on pages 161 to 279 are an integral part of these financial statements.

STATEMENTS
OF PROFIT OR LOSS
for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating revenue	18	**1,513,663**	1,470,631	**244,689**	203,221
Gross written premiums	19	**1,469,377**	1,421,339	**-**	-
Change in unearned premiums provision	19	**(55,483)**	(40,712)	**-**	-
Gross earned premiums	19	**1,413,894**	1,380,627	**-**	-
Gross written premiums ceded to reinsurers	19	**(464,785)**	(553,838)	**-**	-
Change in unearned premiums provision	19	**(18,275)**	23,365	**-**	-
Premiums ceded to reinsurers	19	**(483,060)**	(530,473)	**-**	-
Net earned premiums	19	**930,834**	850,154	**-**	-
Investment income	20	**99,769**	90,004	**244,689**	203,221
Realised gains	21	**-**	2,966	**-**	1,471
Fair value gains	22	**105**	-	**-**	-
Commission income	23	**104,015**	118,560	**-**	-
Net reversal of impairment loss on insurance receivables		**-**	2,915	**-**	-
Other operating income	24	**6,831**	7,905	**-**	59
Other income		**210,720**	222,350	**244,689**	204,751
Gross claims paid	25	**(520,254)**	(510,816)	**-**	-
Claims ceded to reinsurers	25	**161,008**	187,144	**-**	-
Gross change in claims liabilities	25	**(166,648)**	10,298	**-**	-
Change in claims liabilities ceded to reinsurers	25	**144,926**	(14,337)	**-**	-
Net claims incurred	25	**(380,968)**	(327,711)	**-**	-

The notes on pages 161 to 279 are an integral part of these financial statements.

STATEMENTS
OF PROFIT OR LOSS (CONTINUED)
for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Realised losses	21	**(70)**	-	**-**	-
Fair value losses	22	**(1,820)**	-	**(254)**	-
Commission expense	23	**(162,840)**	(162,796)	**-**	-
Management expenses	26	**(192,608)**	(180,734)	**(6,546)**	(5,695)
Net impairment loss on insurance receivables	33.4	**(1,285)**	-	**-**	-
Impairment loss on investments carried at amortised cost	33.4	**(9)**	-	**-**	-
Other expenses		**(358,632)**	(343,530)	**(6,800)**	(5,695)
Operating profit		**401,954**	401,263	**237,889**	199,056
Finance cost		**(4)**	(3)	**-**	-
Share of profit after tax of equity accounted associated company		**4,015**	2,489	**-**	-
Profit before tax		**405,965**	403,749	**237,889**	199,056
Tax expense	28	**(91,916)**	(89,955)	**(1,539)**	(2,176)
Profit for the year		**314,049**	313,794	**236,350**	196,880
Profit attributable to:					
Owners of the Company		**314,049**	313,794	**236,350**	196,880
Earnings per ordinary share (sen)					
Basic	29	**78.83**	78.77		

The notes on pages 161 to 279 are an integral part of these financial statements.

STATEMENTS
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year		**314,049**	313,794	**236,350**	196,880
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation		**1,006**	(4,796)	**-**	-
Net gains on investments in available-for-sale assets		**-**	49,263	**-**	46,436
Net gains on investments in available-for-sale assets reclassified to profit or loss on disposal		**-**	(2,513)	**-**	(1,471)
Income tax relating to these items	28	**-**	75	**-**	-
Items that will not be reclassified to profit or loss					
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**175,343**	-	**169,233**	-
Income tax relating to these items	28	**(3,715)**	-	**-**	-
Total other comprehensive income for the year, net of tax		**172,634**	42,029	**169,233**	44,965
Total comprehensive income for the year attributable to owners of the Company		**486,683**	355,823	**405,583**	241,845

The notes on pages 161 to 279 are an integral part of these financial statements.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
for the year ended 31 December 2018

Group	Note	Non-distributable Share capital RM'000	Non-distributable Share premium RM'000	Non-distributable Foreign currency translation reserve RM'000	Non-distributable Fair value reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2017		331,986	6,258	27,073	713,601	758,398	1,837,316
Foreign currency translation differences for foreign operation		-	-	(4,796)	-	-	(4,796)
Fair value of available-for-sale financial assets		-	-	-	46,825	-	46,825
Total other comprehensive (loss)/ income for the year		-	-	(4,796)	46,825	-	42,029
Profit for the year		-	-	-	-	313,794	313,794
Total comprehensive (loss)/ income for the year		-	-	(4,796)	46,825	313,794	355,823
Distributions to owners of the Company							
Dividends to owners of the Company	30	-	-	-	-	(272,228)	(272,228)
Total transaction with owners of the Company		-	-	-	-	(272,228)	(272,228)
Transfer in accordance with Section 618(2) of the Companies Act 2016		6,258	(6,258)	-	-	-	-
At 31 December 2017		338,244	-	22,277	760,426	799,964	1,920,911
		Note 12.1	Note 12.2	Note 12.3	Note 12.4		

The notes on pages 161 to 279 are an integral part of these financial statements.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY (CONTINUED)
for the year ended 31 December 2018

Group	Note	Share capital RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
		Non-distributable			*Distributable*	
At 31 December 2017		338,244	22,277	760,426	799,964	1,920,911
Changes on initial application of MFRS 9		-	-	(1,672)	3,993	2,321
At 1 January 2018		**338,244**	**22,277**	**758,754**	**803,957**	**1,923,232**
Foreign currency translation differences for foreign operation		-	1,006	-	-	1,006
Net gains on investments in equity instruments designated at fair value through other comprehensive income		-	-	171,628	-	171,628
Total other comprehensive income for the year		-	1,006	171,628	-	172,634
Profit for the year		-	-	-	314,049	314,049
Total comprehensive income for the year		-	1,006	171,628	314,049	486,683
Contributions from/ (Distributions to) owners of the Company						
Issue of Ordinary Shares						
- Pursuant to bonus issue		60,139	-	-	(60,139)	-
- Expenses for issuance of equity securities		-	-	-	(157)	(157)
Dividends to owners of the Company	30	-	-	-	(252,973)	(252,973)
Total transactions with owners of the Company		60,139	-	-	(313,269)	(253,130)
At 31 December 2018		**398,383**	**23,283**	**930,382**	**804,737**	**2,156,785**
		Note 12.1	Note 12.3	Note 12.4		

The notes on pages 161 to 279 are an integral part of these financial statements.

STATEMENT
OF CHANGES IN EQUITY
for the year ended 31 December 2018

Company	Note	Non-distributable Share capital RM'000	Non-distributable Share premium RM'000	Non-distributable Fair value reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2017		331,986	6,258	587,555	372,578	1,298,377
Fair value of available-for-sale financial assets		-	-	44,965	-	44,965
Total other comprehensive income for the year		-	-	44,965	-	44,965
Profit for the year		-	-	-	196,880	196,880
Total comprehensive income for the year		-	-	44,965	196,880	241,845
Distributions to owners of the Company						
Dividends to owners of the Company	30	-	-	-	(272,228)	(272,228)
Total transaction with owners of the Company		-	-	-	(272,228)	(272,228)
Transfer in accordance with Section 618(2) of the Companies Act 2016		6,258	(6,258)	-	-	-
At 31 December 2017		338,244	-	632,520	297,230	1,267,994
		Note 12.1	Note 12.2	Note 12.4		

Company	Note	Non-distributable Share capital RM'000	Non-distributable Fair value reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 31 December 2017		338,244	632,520	297,230	1,267,994
Changes on initial application of MFRS 9		-	-	390	390
At 1 January 2018		**338,244**	**632,520**	**297,620**	**1,268,384**
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**-**	**169,233**	**-**	**169,233**
Total other comprehensive income for the year		**-**	**169,233**	**-**	**169,233**
Profit for the year		**-**	**-**	**236,350**	**236,350**
Total comprehensive income for the year		**-**	**169,233**	**236,350**	**405,583**
Contributions from/ (Distributions to) owners of the Company					
Issue of Ordinary Shares					
- Pursuant to bonus issue	30	**60,139**	**-**	**(60,139)**	**-**
- Expenses for issuance of equity securities		**-**	**-**	**(157)**	**(157)**
Dividends to owners of the Company		**-**	**-**	**(252,973)**	**(252,973)**
Total transactions with owners of the Company		**60,139**	**-**	**(313,269)**	**(253,130)**
At 31 December 2018		**398,383**	**801,753**	**220,701**	**1,420,837**
		Note 12.1	Note 12.4		

The notes on pages 161 to 279 are an integral part of these financial statements.

STATEMENTS
OF CASH FLOWS
for the year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating activities				
Profit before tax	**405,965**	403,749	**237,889**	199,056
Investment income	**(99,769)**	(90,004)	**(244,689)**	(203,221)
Net realised losses/ (gains) recorded in profit or loss	**70**	(2,966)	**-**	(1,471)
Net fair value losses recorded in profit or loss	**1,741**	-	**254**	-
Share of profit of equity accounted associated company	**(4,015)**	(2,489)	**-**	-
Purchase of available-for-sale financial assets	**-**	(886)	**-**	(225)
Proceeds from disposal of available-for-sale financial assets	**-**	12,416	**-**	9,970
Purchase of held-to-maturity financial assets	**-**	(48,170)	**-**	-
Maturity of held-to-maturity financial assets	**-**	71,773	**-**	-
Proceeds from disposal of financial assets carried at fair value through profit or loss	**63**	-	**-**	-
Purchase of financial assets carried at fair value through profit or loss	**(47,886)**	-	**-**	-
Purchase of financial assets carried at amortised cost	**(22,911)**	-	**-**	-
Maturity of financial assets carried at amortised cost	**6,081**	-	**-**	-
Maturity of financial assets carried at fair value through profit or loss	**20,000**	-	**-**	-
Interest on finance lease liabilities	**4**	3	**-**	-
Non-cash items:				
Depreciation of plant and equipment	**3,285**	3,185	**121**	122
Write off of plant and equipment	**3**	3	**-**	-
Unrealised foreign exchange (gain)/ loss	**(689)**	215	**-**	-
Impairment loss/ (reversal of impairment loss) on insurance receivables	**1,285**	(2,915)	**-**	-
Impairment loss on investments carried at amortised cost	**9**	-	**-**	-

STATEMENTS
OF CASH FLOWS (CONTINUED)
for the year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating activities (continued)				
Changes in working capital:				
Decrease/ (Increase) in loans and receivables	**68,452**	(164,149)	**(14,369)**	39,071
Increase in reinsurance assets	**(126,651)**	(9,028)	**-**	-
Increase in insurance receivables	**(5,752)**	(2,970)	**-**	-
Increase in deferred acquisition costs	**(11,900)**	(3,166)	**-**	-
Increase in insurance contract liabilities	**222,131**	30,414	**-**	-
(Decrease)/ Increase in insurance payables	**(33,403)**	42,150	**-**	-
(Decrease)/ Increase in other payables	**(3,810)**	5,849	**(35)**	331
Cash generated from/ (used in) operating activities	**372,303**	243,014	**(20,829)**	43,633
Dividend income received	**32,926**	28,191	**238,063**	195,414
Interest income received	**66,055**	61,035	**6,626**	7,807
Rental income on investment property received	**882**	841	**-**	-
Income tax paid	**(90,704)**	(90,355)	**(1,995)**	(2,125)
Net cash flows generated from operating activities	**381,462**	242,726	**221,865**	244,729
Investing activities				
Proceeds from disposal of plant and equipment	**-**	712	**-**	118
Purchase of plant and equipment	**(4,399)**	(6,648)	**(13)**	(118)
Net cash flows used in investing activities	**(4,399)**	(5,936)	**(13)**	-
Financing activities				
Expenses for issuance of equity securities	**(157)**	-	**(157)**	-
Dividends paid to owners of the Company	**(252,973)**	(272,228)	**(252,973)**	(272,228)
Repayment of finance lease liabilities	**(906)**	(17)	**-**	-
Net cash flows used in financing activities	**(254,036)**	(272,245)	**(253,130)**	(272,228)
Net increase/ (decrease) in cash and cash equivalents	**123,027**	(35,455)	**(31,278)**	(27,499)
Cash and cash equivalents at 1 January	**294,459**	332,517	**63,076**	90,575
Effect of movement in exchange rates	**1,023**	(2,603)	**-**	-
Cash and cash equivalents at 31 December (Note 11)	**418,509**	294,459	**31,798**	63,076

Acquisition of plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of Nil (2017: RM7,561,000), of which Nil (2017: RM913,000) were acquired by means of finance lease.

The notes on pages 161 to 279 are an integral part of these financial statements.

NOTES
TO THE FINANCIAL STATEMENTS

LPI Capital Bhd is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its principal place of business and registered office of the Company are as follows:

PRINCIPAL PLACE OF BUSINESS/ REGISTERED OFFICE

6th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiary (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associated company. The financial statements of the Company as at and for the year ended 31 December 2018 do not include other entities.

The Company is principally engaged in investment holding activities while the principal activity of the subsidiary is stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 29 January 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combination – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and* MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2019 for those accounting standards that are effective for annual periods beginning on or after 1 January 2019 except for Amendments to MFRS 11 which is not applicable to the Group and the Company;

- from the annual period beginning on 1 January 2020 for the accounting standards that are effective for annual periods beginning on or after 1 January 2020; and

- from the annual period beginning on 1 January 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

The initial application of the abovementioned standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Group and of the Company except as mentioned below:

MFRS 16, *Leases*

The Group and the Company are required to adopt MFRS 16 Leases from 1 January 2019. The Group and the Company have assessed the estimated impact that initial application of MFRS 16 will have on the consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 16, *Leases* (continued)

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

MFRS 16 replaces existing leases guidance, including MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

(i) Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group plans to apply MFRS 16 initially on 1 January 2019, using modified retrospective approach. The Group chooses to measure the right-of-use asset equals to the lease liability at 1 January 2019 with no restatement of comparative information.

Based on the information currently available, the Group estimates that it will recognise lease liabilities and right-of-use assets of RM22,863,000 as at 1 January 2019. The Group does not expect the adoption of MFRS 16 to impact its ability to comply with the regulatory capital requirements described in Note 34.

(ii) Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

MFRS 17, *Insurance Contracts*

MFRS 17 was issued by MASB in August 2017. The standard will replace the existing MFRS 4 and establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. The Group is currently assessing the financial impact of adopting MFRS 17.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 2(d) and Note 4	- Valuation of investment properties
Note 2(f)(i) and Note 33.4 (iv)	- Measurement of expected credit loss ("ECL") allowance for financial assets
Note 2(m), (n) and Note 32	- Valuation of claims and premium liabilities

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated. This is the first set of the Group's and the Company's annual financial statements in which MFRS 9, *Financial Instruments* have been applied. The effect of the changes in accounting policies arising from adoption of MFRS 9 are disclosed in Note 39.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

(v) Associated companies

Associated companies are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of investments includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associated company, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) Associated companies (continued)

When the Group's share of losses exceeds its interest in an associated company, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associated company.

When the Group ceases to have significant influence over an associated company, any retained interest in the former associated company at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associated company decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investment in associated company is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associated companies are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated into the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences are generally recognised in the profit or loss. However, foreign currency differences arising from the translation of an investment in equity securities designated as at fair value through other comprehensive income ("FVOCI") are recognised in other comprehensive income ("OCI") (2017: available-for-sale equity securities (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)).

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operation denominated in functional currencies other than Ringgit Malaysia

Financial statements of Singapore Branch of a subsidiary

The assets and liabilities of operations denominated in functional currencies other than RM, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associated company that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment, except for capital work-in-progress, are measured at cost less any accumulated depreciation and any accumulated impairment losses. Capital work-in-progress is measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and equipment (continued)

(i) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the plant and equipment and is recognised net within "realised gains and losses" in profit or loss.

(ii) Subsequent costs

The cost of replacing component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group or the Company will obtain ownership by the end of the lease term. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- Office equipment 4 years
- Furniture and fittings 4 years
- Renovation 5 years
- Computers 4 years
- Motor vehicles 5 years

Depreciation method, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties

Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefit are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(e) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus or minus, for a financial asset or financial liability not measured at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets – Accounting policies applied from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI – debt securities; FVOCI – equity securities or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group or the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurements (continued)

Financial assets – Accounting policies applied from 1 January 2018 (continued)

FVOCI – debt securities

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI – equity securities

On initial recognition of an equity investment that is not held for trading, the Group or the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment (see Note 2(f)(i)).

Business model assessment

The Group or the Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group or the Company's management;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurements (continued)

Financial assets – Accounting policies applied from 1 January 2018 (continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group or the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group or the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group or the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group or the Company's claim to cash flows from specified assets - e.g. non-recourse features.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurements (continued)

Financial assets – Accounting policies applied from 1 January 2018 (continued)

A prepayment feature is consistent with the ‘solely payments of principal and interest’ criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(f)(i)) where the effective interest rate is applied to the amortised cost.
Debt securities at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(f)(i)) where the effective interest rate is applied to the amortised cost.
Equity securities at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Financial assets – Accounting policies applied until 31 December 2017

Classification

The Group or the Company classified its financial assets into one of the following categories:

- available-for-sale
- held-to-maturity; and
- loans and receivables

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurements (continued)

Financial assets – Accounting policies applied until 31 December 2017 (continued)

Subsequent measurement and gains and losses

Available-for-sale financial assets	Measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.
Held-to-maturity financial asset	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.

Financial liabilities

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost using the effective interest method. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group or the Company derecognises a financial asset or part of it when, and only when, the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group or the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group or the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of ownership of the transferred assets are not derecognised. In these cases, the transferred assets are not derecognised.

On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Group or the Company generally derecognises a financial liability or part of it when, and only when, its contractual obligations are discharged or cancelled, or expires. The Group or the Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(f) Impairment

(i) Financial assets

Accounting policies applied from 1 January 2018

The Group or the Company recognises allowance for impairment for expected credit loss ("ECL") on financial assets measured at amortised cost and debt securities measured at FVOCI.

The Group or the Company measures allowance for impairment at an amount equal to lifetime ECL, except for the following which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, cash and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Allowance for impairment for insurance and reinsurance receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group or the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group or the Company's historical experience and informed credit assessment and including forward-looking information, where available.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group or the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group or the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group or the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Group or the Company on terms that the Group or the Company would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Presentation of allowance for impairment in the statement of financial position

Allowance for impairment for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the allowance for impairment is charged to profit or loss. The loss allowance does not reduce the carrying amount of the financial asset in the statement of financial position and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group or the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group or the Company makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The Group or the Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group or the Company's procedures for recovery of amounts due.

Accounting policies applied until 31 December 2017

Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiary and investment in an associated company) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables where the policy is set out below) and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Financial assets (continued)

Accounting policies applied from 31 December 2017 (continued)

Financial assets, excluding insurance receivables (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of other assets (except for deferred tax assets and investment properties that are measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash generating unit (groups of cash-generating units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Group or the Company in the management of their short-term commitments.

(h) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(e)(iii), have been met.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair values arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(j) Product classification

The Group issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

(k) Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent amounts recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of a reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance, if any, are recognised in profit or loss immediately at the date of purchase and are not amortised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Reinsurance (continued)

The Group also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(l) Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to profit or loss in the period in which they are incurred or deferred where appropriate as set out in Note 2(m).

(m) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account inter alia reinsurances, commissions, unearned premium reserves and claims incurred.

Premium income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period except for treaty inwards reinsurance premiums which are recognised on the basis of periodic advices/ accounts received from ceding insurers.

Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise provision for unearned premiums and provision for outstanding claims.

Provision for unearned premiums

Provision for unearned premiums is the higher of the aggregate of the unearned premium reserves (“UPR”) for all lines of business and the best estimate value of the unexpired risk reserves (“URR”) at the required risk margin for adverse deviation.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) General insurance underwriting results (continued)

Provision for unearned premiums **(continued)**

Unearned premium reserves

The UPR represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

The calculation method:

(i) 25% method for marine cargo, aviation cargo and transit business.
(ii) $1/365^{th}$ method for all other classes of direct and facultative inwards business.
(iii) $1/24^{th}$ method for all treaty inwards business.

The UPR calculation is adjusted for additional UPR in respect of premiums ceded to overseas reinsurers as required under the guidelines issued by Bank Negara Malaysia.

Unexpired risk reserves

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs are inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

Provision for outstanding claims

Provision for outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of the reporting period. The liability is calculated at the reporting date by the appointed actuary using projection techniques as set out in Note 2(n) that included a regulatory risk margin for adverse deviation (“PRAD”). The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) General insurance underwriting results (continued)

Acquisition costs and deferred acquisition costs ("DAC")

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable that they give rise to income. Acquisition costs or ceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

Such costs are deferred to the extent that these are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised/ allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

(n) Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported at the end of the reporting period ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Other income recognition

(i) Interest income

Interest income from investments with fixed or determinable payment and fixed maturity are recognised using the effective interest rate method.

Interest income on loans are recognised on an accrual basis except where a loan is considered non-performing (i.e. where repayments are in arrears for more than six (6) months), in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

(ii) Rental income

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six (6) months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in case of quoted equity securities is the ex-dividend date, unless the dividend clearly represents a recovery of part of the cost of the investment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group or the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's or the Company's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group or the Company has no further payment obligations.

(r) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

(s) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Leased assets (continued)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(t) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(v) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(w) Earnings per share ("EPS")

The Group presents basic EPS data for its ordinary shares.

Basic EPS are calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group or the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group or the Company can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group or the Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES
TO THE FINANCIAL STATEMENTS

3. PLANT AND EQUIPMENT

Group	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2017	1,552	6,673	7,851	32,418	4,870	7,378	60,742
Additions	89	151	1,602	3,492	1,378	849	7,561
Disposals	(108)	(274)	(1,073)	(1,067)	(3,172)	-	(5,694)
Written off	(15)	(7)	-	(277)	-	-	(299)
Transfer to plant and equipment	-	-	198	99	-	(297)	-
Effect of movement in exchange rates	(3)	(10)	(29)	(42)	(8)	-	(92)
At 31 December 2017/ 1 January 2018	**1,515**	**6,533**	**8,549**	**34,623**	**3,068**	**7,930**	**62,218**
Additions	**374**	**404**	**19**	**1,302**	**30**	**2,270**	**4,399**
Disposals	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Written off	**(96)**	**(9)**	**-**	**(23)**	**-**	**-**	**(128)**
Transfer to plant and equipment	**-**	**-**	**682**	**99**	**-**	**(781)**	**-**
Effect of movement in exchange rates	**-**	**1**	**5**	**6**	**3**	**-**	**15**
At 31 December 2018	**1,792**	**6,929**	**9,255**	**36,007**	**3,101**	**9,419**	**66,503**

3. PLANT AND EQUIPMENT (CONTINUED)

Group	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation							
At 1 January 2017	1,276	6,407	7,450	29,253	3,314	-	47,700
Depreciation for the year	160	151	595	1,783	496	-	3,185
Disposals	(107)	(250)	(1,074)	(833)	(3,171)	-	(5,435)
Written off	(15)	(7)	-	(274)	-	-	(296)
Effect of movement in exchange rates	(3)	(9)	(29)	(26)	(7)	-	(74)
At 31 December 2017/ 1 January 2018	**1,311**	**6,292**	**6,942**	**29,903**	**632**	**-**	**45,080**
Depreciation for the year	**131**	**168**	**517**	**1,858**	**611**	**-**	**3,285**
Disposals	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Written off	**(93)**	**(9)**	**-**	**(23)**	**-**	**-**	**(125)**
Effect of movement in exchange rates	**-**	**-**	**2**	**3**	**-**	**-**	**5**
At 31 December 2018	**1,348**	**6,451**	**7,461**	**31,741**	**1,243**	**-**	**48,244**
Carrying amounts							
At 1 January 2017	276	266	401	3,165	1,556	7,378	13,042
At 31 December 2017/ 1 January 2018	**204**	**241**	**1,607**	**4,720**	**2,436**	**7,930**	**17,138**
At 31 December 2018	**444**	**478**	**1,794**	**4,266**	**1,858**	**9,419**	**18,259**

NOTES
TO THE FINANCIAL STATEMENTS

3. PLANT AND EQUIPMENT (CONTINUED)

Company	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2017	608	-	608
Additions	118	-	118
Disposals	(118)	-	(118)
At 31 December 2017/ 1 January 2018	**608**	**-**	**608**
Additions	**-**	**13**	**13**
At 31 December 2018	**608**	**13**	**621**
Accumulated Depreciation			
At 1 January 2017	51	-	51
Depreciation for the year	122	-	122
At 31 December 2017/ 1 January 2018	**173**	**-**	**173**
Depreciation for the year	**121**	**-**	**121**
At 31 December 2018	**294**	**-**	**294**
Carrying amounts			
At 1 January 2017	557	-	557
At 31 December 2017/ 1 January 2018	**435**	**-**	**435**
At 31 December 2018	**314**	**13**	**327**

3.1 Leased plant and equipment

At 31 December 2018, the net carrying amount of leased plant and equipment of the Group was Nil (2017: RM895,000).

3.2 Fully depreciated assets

Included in plant and equipment of the Group are the following fully depreciated assets which are still in use:

Group	2018 RM'000	2017 RM'000
At cost:		
Office equipment	**1,155**	1,479
Furniture and fittings	**6,149**	6,520
Renovation	**6,406**	7,377
Computers	**28,815**	29,970
Motor vehicles	**16**	398

4. INVESTMENT PROPERTIES

Group	2018 RM'000	2017 RM'000
At 1 January	**27,270**	27,900
Effect of movement in exchange rates	**90**	(630)
At 31 December	**27,360**	27,270

Investment properties comprise commercial properties that are leased to third parties. Each of the leases consists of an average lease term of 2 years. Subsequent renewals are negotiated with the lessee and average renewal periods are 2 years. No contingent rents are charged.

The fair value measurement for investment properties has been categorised as a Level 2 fair value based on the inputs to the valuation technique used. The fair values are derived by using the sales comparison method. Sales price of comparable properties in close proximity are adjusted for any differences in key attributes such as location, master plan zoning, size, design and layout, tenure, age and condition of buildings and the dates of transactions. The most significant input into this valuation approach is price per square foot of comparable properties.

The following are recognised in profit or loss in respect of investment properties:

Group	Note	2018 RM'000	2017 RM'000
Rental income	18, 20	**882**	841
Direct operating expenses		**(107)**	(86)

Fair value information

Fair value of investment properties are categorised as follows:

	Level 2 RM'000	Total RM'000
2018		
Buildings	**27,360**	**27,360**
2017		
Buildings	27,270	27,270

NOTES
TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

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 investment property, either directly or indirectly.

Level 2 fair values of buildings have been generally derived using the sales comparison method. Sales price of comparable properties in close proximity are adjusted for any differences in key attributes such as location, master plan zoning, size, design and layout, tenure, age and condition of buildings and the dates of transactions. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between levels

There is no transfer between levels during the financial year (2017: no transfer).

5. INVESTMENT IN A SUBSIDIARY

	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	**200,000**	200,000

Details of the subsidiary, which is incorporated in Malaysia, are as follows:

		Effective ownership interest and voting interest	
Name of subsidiary	Principal activity	2018 %	2017 %
Lonpac Insurance Bhd	Underwriting of general insurance	**100**	100

6. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost				
Unquoted shares	**10,833**	10,833	**10,833**	10,833
Share of post-acquisition reserves*	**16,977**	12,962	**-**	-
Effect of movement in exchange rates	**3,754**	3,082	**-**	-
	31,564	26,877	**10,833**	10,833

* Share of post-acquisition reserves of the investment in associated company is accounted for using management accounts.

6. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

The Group's share in the results of the associated company, Campu Lonpac Insurance Plc, a company incorporated in Cambodia, is as follows:

	2018 RM'000	2017 RM'000
Group's share of results for the year ended 31 December		
Group's share of profit or loss from continuing operations	**4,015**	2,489
Effect of movement in exchange rate	**672**	(2,408)
	4,687	81

7. OTHER INVESTMENTS

(a) Fair value through other comprehensive income ("FVOCI")

	Group 2018 RM'000	Company 2018 RM'000
At fair value		
Investment in securities designated at FVOCI		
Equity securities in corporation		
Quoted in Malaysia	**1,090,899**	**1,052,813**

The Group's and the Company's investment in equity securities of corporation quoted in Malaysia is investment in ordinary shares of Public Bank Berhad, a company in which a Director has substantial financial interest, with a carrying value of RM1,090,899,000 and RM1,052,813,000 respectively.

This investment of the Group and the Company was previously classified as AFS under MFRS 139 with a carrying value of RM915,544,000 and RM883,580,000 respectively as at 31 December 2017 as disclosed in Note 7(d).

NOTES
TO THE FINANCIAL STATEMENTS

7. OTHER INVESTMENTS (CONTINUED)

(b) Fair value through profit or loss ("FVTPL")

	Group 2018 RM'000	Company 2018 RM'000
At fair value		
Investment mandatory measured at FVTPL		
Unit trust		
Quoted in Malaysia	36,009	-
Real estate investment trusts ("REITs")		
Quoted in Malaysia	2,365	-
Exchange-traded fund ("ETF")		
Quoted outside Malaysia	590	-
Equity securities in corporations		
Quoted outside Malaysia	3,635	-
Unquoted in Malaysia	1,328	-
	4,963	-
Corporate bonds and sukuk		
Unquoted in Malaysia	126,695	10,136
Unquoted outside Malaysia	9,209	-
	135,904	10,136
Total FVTPL	179,831	10,136

Included in the Group's and the Company's investments in unquoted corporate bonds and sukuk are investments in bonds issued by Public Bank Berhad, a company in which a Director has substantial financial interest, with a carrying value of RM45,512,000 and RM10,136,000 respectively.

These investments of the Group and the Company were previously classified as HTM under MFRS 139 with a carrying value of RM50,000,000 and RM10,000,000 respectively as at 31 December 2017 as disclosed in Note 7(e).

7. OTHER INVESTMENTS (CONTINUED)

(c) Amortised cost ("AC")

	Note	Group 2018 Carrying value RM'000	Group 2018 Fair value RM'000
At amortised cost			
Malaysian government guaranteed loans		**40,033**	**40,420**
Corporate bonds and sukuk			
Unquoted in Malaysia		**45,002**	**45,098**
Unquoted outside Malaysia		**12,909**	**12,903**
		57,911	**58,001**
Allowance for impairment	33.4	**(22)**	**-**
		57,889	**58,001**
Total AC		**97,922**	**98,421**

Included in the Group's investment in unquoted corporate bonds and sukuk is investment in bonds issued by Public Bank Berhad, a company in which a Director has substantial financial interest, with a carrying value of RM10,000,000.

This investment was previously classified as HTM under MFRS 139 with a carrying value of RM5,000,000 as at 31 December 2017 as disclosed in Note 7(e).

(d) Available-for-sale ("AFS")

	Group 2017 RM'000	Company 2017 RM'000
At fair value		
Unit trust		
Quoted in Malaysia	5,976	-
Real estate investment trusts ("REITs")		
Quoted in Malaysia	978	-
Exchange-traded fund ("ETF")		
Quoted outside Malaysia	631	-
Equity securities in corporations		
Quoted in Malaysia	915,544	883,580
Quoted outside Malaysia	3,992	-
Unquoted in Malaysia	235	-
	919,771	883,580
Total AFS	927,356	883,580

NOTES
TO THE FINANCIAL STATEMENTS

7. OTHER INVESTMENTS (CONTINUED)

(d) Available-for-sale ("AFS") (continued)

Included in the Group's and Company's investments in equity securities of corporations quoted in Malaysia are investments in ordinary shares of Public Bank Berhad, a company in which a Director has substantial financial interest, with a carrying value of RM915,544,000 and RM883,580,000 respectively.

(e) Held-to-maturity ("HTM")

	Group 2017		Company 2017	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
At amortised cost				
Malaysian government guaranteed loans	40,055	40,344	-	-
Corporate bonds and sukuk				
Unquoted in Malaysia	169,992	172,742	10,000	10,390
Unquoted outside Malaysia	9,296	9,120	-	-
Total HTM	219,343	222,206	10,000	10,390

Included in the Group's and Company's investments in unquoted corporate bonds and sukuk were investments in bonds issued by Public Bank Berhad, a company in which a Director had substantial financial interest, with a carrying value of RM55,000,000 and RM10,000,000 respectively.

(f) Estimation of fair values

The fair values of quoted securities, unit trust, real estate investment trusts and exchange-traded fund are their last quoted bid prices at the end of the reporting period.

The fair values for Malaysian government guaranteed loans are the indicative mid market prices quoted by the regulatory agencies at the end of the reporting period.

The estimated fair values of unquoted corporate bonds and sukuk are based on the average indicative mid market prices obtained from three independent licensed financial institutions.

The fair value of the unquoted equity instrument is determined to approximate the net assets value of the investee as it is immaterial in the context of the financial statements.

7. OTHER INVESTMENTS (CONTINUED)

(f) Estimation of fair values (continued)

The following debt securities mature after 12 months:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fair value through profit or loss	**75,023**	-	**-**	-
Amortised cost	**82,925**	-	**-**	-
Held-to-maturity	**-**	193,212	**-**	10,000

(g) Carrying values of other investments

The following tables show the movement of carrying values of other investments under original classification in accordance with MFRS 139 and new classification upon adoption of MFRS 9 as at 1 January 2018.

(i) Original classification under MFRS 139

	AFS RM'000	HTM RM'000	Total RM'000
Group			
At 1 January 2017	889,779	243,203	1,132,982
Addition/ Dividend	886	48,170	49,056
Disposal/ Maturity	(12,416)	(71,773)	(84,189)
Fair value gain recorded in:			
Other comprehensive income	49,263	-	49,263
Amortisation	-	(75)	(75)
Accretion	-	12	12
Effect of movement in exchange rates	(156)	(194)	(350)
At 31 December 2017	927,356	219,343	1,146,699
Company			
At 1 January 2017	846,889	10,000	856,889
Addition/ Dividend	225	-	225
Disposal/ Maturity	(9,970)	-	(9,970)
Fair value gain recorded in:			
Other comprehensive income	46,436	-	46,436
At 31 December 2017	883,580	10,000	893,580

NOTES
TO THE FINANCIAL STATEMENTS

7. OTHER INVESTMENTS (CONTINUED)

(g) Carrying values of other investments (continued)

(ii) New classification under MFRS 9

	FVOCI RM'000	FVTPL RM'000	AC RM'000	Total RM'000
Group				
At 1 January 2018	915,544	153,790	81,177	1,150,511
Addition/ Dividend	-	47,886	22,911	70,797
Disposal/ Maturity	-	(20,063)	(6,151)	(26,214)
Fair value gain/ (loss) recorded in:				
Profit or loss	-	(1,741)	-	(1,741)
Other comprehensive income	175,343	-	-	175,343
Amortisation	-	(75)	(26)	(101)
Accretion	-	7	-	7
Impairment loss	-	-	(9)	(9)
Effect of movement in exchange rates	12	27	20	59
At 31 December 2018	1,090,899	179,831	97,922	1,368,652

	FVOCI RM'000	FVTPL RM'000	Total RM'000
Company			
At 1 January 2018	883,580	10,390	893,970
Fair value loss recorded in:			
Profit or loss	-	(254)	(254)
Other comprehensive income	169,233	-	169,233
At 31 December 2018	1,052,813	10,136	1,062,949

8. REINSURANCE ASSETS

	Note	Group 2018 RM'000	Group 2017 RM'000
Reinsurance of insurance contracts			
Claims liabilities	13	607,290	462,260
Premium liabilities	13	212,306	230,531
		819,596	692,791

9(a). LOANS AND RECEIVABLES, EXCLUDING INSURANCE RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Staff loans				
Receivable within twelve months	**3,617**	3,428	**-**	-
Receivable after twelve months	**27,544**	30,796	**-**	-
	31,161	34,224	**-**	-
Fixed and call deposits with licensed financial institutions with maturity more than three months				
Licensed banks in Malaysia	**1,150,411**	1,153,336	**114,000**	100,100
Banks outside Malaysia	**80,516**	132,916	**-**	-
	1,230,927	1,286,252	**114,000**	100,100
Other receivables				
Due from Malaysian Motor Insurance Pool	**52,898**	59,220	**-**	-
Other receivables, deposits and prepayments	**8,487**	12,690	**5**	55
Income due and accrued	**27,590**	26,966	**2,275**	1,756
	88,975	98,876	**2,280**	1,811
Total loans and receivables	**1,351,063**	1,419,352	**116,280**	101,911

Included in the fixed and call deposits of the Group are RM69,720,000 (2017: RM80,566,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 17).

The following loans and receivables mature after 12 months:

	Group	
	2018 RM'000	2017 RM'000
Staff loans	**27,544**	30,796
Fixed and call deposits	**1,445**	19,861
	28,989	50,657

Estimation of fair values

The fair values of the staff loans were determined to approximate the carrying amounts as these are immaterial in the context of the financial statements. The carrying amounts of the fixed and call deposits approximate their fair values.

NOTES
TO THE FINANCIAL STATEMENTS

9(b). INSURANCE RECEIVABLES

	Note	Group 2018 RM'000	Group 2017 RM'000
Due premiums including agents, brokers and co-insurers balances		**152,892**	120,845
Due from reinsurers and cedants		**9,262**	35,572
		162,154	156,417
Allowance for impairment	33.4	**(2,157)**	(38)
		159,997	156,379

10. DEFERRED ACQUISITION COSTS

	Note	Group 2018 RM'000	Group 2017 RM'000
Gross of reinsurance			
At 1 January		**80,048**	76,380
Movement during the year	23	**8,780**	3,816
Effect of movement in exchange rates		**20**	(148)
At 31 December		**88,848**	80,048
Reinsurance			
At 1 January		**(46,398)**	(45,929)
Movement during the year	23	**3,120**	(650)
Effect of movement in exchange rates		**(17)**	181
At 31 December		**(43,295)**	(46,398)
Net of reinsurance			
At 1 January		**33,650**	30,451
Movement during the year		**11,900**	3,166
Effect of movement in exchange rates		**3**	33
At 31 December		**45,553**	33,650

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amortised cost				
Cash and bank balances	**24,964**	-	**109**	-
Fixed and call deposits with licensed financial institutions with maturity of three months or less				
Licensed banks in Malaysia	**194,930**	-	**31,689**	-
Banks outside Malaysia	**44,230**	-	**-**	-
Fair value through profit or loss				
Mandatory measured at FVTPL				
Liquid investments	**154,385**	-	**-**	-
Loans and receivables				
Cash and bank balances	**-**	22,126	**-**	98
Fixed and call deposits with licensed financial institutions with maturity of three months or less				
Licensed banks in Malaysia	**-**	216,338	**-**	62,978
Banks outside Malaysia	**-**	4,563	**-**	-
Liquid investments	**-**	51,432	**-**	-
	418,509	294,459	**31,798**	63,076

The carrying amounts disclosed above approximate their fair values due to the relatively short-term nature of these financial instruments.

Included in the fixed and call deposits of the Group are RM1,770,000 (2017: RM644,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 17).

The Directors regard the liquid investments as cash and cash equivalents in view of their high liquidity and insignificant changes in fair value.

NOTES
TO THE FINANCIAL STATEMENTS

12. CAPITAL AND RESERVES

12.1 Share capital

	Group and Company			
	2018		2017	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares, issued and fully paid				
At 1 January	**331,986**	**331,986**	331,986	331,986
Issued during the year pursuant to bonus issue	**66,397**	**66,397**	-	-
At 31 December	**398,383**	**398,383**	331,986	331,986
Share premium				
At 1 January	**6,258**	**-**	-	-
Transfer to ordinary shares in accordance with Section 618(2) of the Companies Act 2016	**-**	**-**	6,258	-
Utilisation in accordance with Section 618(3) of the Companies Act 2016	**(6,258)**	**-**	-	-
At 31 December	**-**	**-**	6,258	-
At 31 December	**398,383**	**398,383**	338,244	331,986

Ordinary shares

During the financial year, the Company increased its issued and paid-up ordinary shares from 331,985,808 to 398,382,753 on the basis of one new ordinary share for every five existing ordinary shares by way of capitalisation of RM1.00 for each Bonus Share of RM6,258,124 from the share premium account and 60,138,821 from retained earnings of the Company. The bonus issue exercise was completed on 12 April 2018 following the listing of and quotation for the 66,396,945 bonus shares on the Main Market of Bursa Malaysia Securities.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

12. CAPITAL AND RESERVES (CONTINUED)

12.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital in the prior year.

12.3 Foreign currency translation reserve

The foreign currency translation reserve is in respect of exchange differences arising from the translation of the financial statements of a subsidiary's Singapore Branch and the financial statements of the associated company.

12.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment in securities measured at FVOCI. Before 1 January 2018, the fair value reserve included the cumulative net change in the fair value of available-for-sale financial assets.

13. INSURANCE CONTRACT LIABILITIES

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
General insurance	**1,858,994**	**(819,596)**	**1,039,398**	1,636,422	(692,791)	943,631

The general insurance contract liabilities and their movements are further analysed as follows:

		2018			2017		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group							
Provision for claims reported by policyholders		**880,144**	**(517,511)**	**362,633**	704,706	(368,354)	336,352
Provision for IBNR		**207,614**	**(89,779)**	**117,835**	216,080	(93,906)	122,174
Provision for outstanding claims	13.1	**1,087,758**	**(607,290)**	**480,468**	920,786	(462,260)	458,526
Provision for unearned premiums	13.3	**771,236**	**(212,306)**	**558,930**	715,636	(230,531)	485,105
		1,858,994	**(819,596)**	**1,039,398**	1,636,422	(692,791)	943,631
			Note 8			Note 8	

NOTES
TO THE FINANCIAL STATEMENTS

13. INSURANCE CONTRACT LIABILITIES (CONTINUED)

13.1 Provision for outstanding claims

Group	Note	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000
At 1 January		**920,786**	**(462,260)**	**458,526**	933,644	(477,378)	456,266
Claims incurred for the current accident year (direct and facultative)		**798,427**	**(364,877)**	**433,550**	636,799	(265,151)	371,648
Adjustment to claims incurred in prior accident years (direct and facultative)		**(127,485)**	**65,788**	**(61,697)**	(138,992)	92,286	(46,706)
Claims incurred during the year (treaty inwards claims)		**3,901**	**-**	**3,901**	2,339	-	2,339
Movement in PRAD of claims liabilities at 75% confidence level		**12,669**	**(6,845)**	**5,824**	294	58	352
Movement in claims handling expenses		**(610)**	**-**	**(610)**	78	-	78
Claims paid during the year	25	**(520,254)**	**161,008**	**(359,246)**	(510,816)	187,144	(323,672)
Effect of movement in exchange rates		**324**	**(104)**	**220**	(2,560)	781	(1,779)
At 31 December	13.2, 25	**1,087,758**	**(607,290)**	**480,468**	920,786	(462,260)	458,526

13. INSURANCE CONTRACT LIABILITIES (CONTINUED)

13.2 Provision for outstanding claims by business

	Note	2018 Motor RM'000	2018 Non-Motor RM'000	2018 Total RM'000	2017 Motor RM'000	2017 Non-Motor RM'000	2017 Total RM'000
Group							
Gross claims	32	**339,947**	**747,811**	**1,087,758**	335,297	585,489	920,786
Reinsurance		**(39,131)**	**(568,159)**	**(607,290)**	(50,551)	(411,709)	(462,260)
Net claims	32	**300,816**	**179,652**	**480,468**	284,746	173,780	458,526

13.3 Provision for unearned premiums

	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000
Group						
At 1 January	**715,636**	**(230,531)**	**485,105**	675,814	(207,657)	468,157
Premiums written during the year	**1,469,377**	**(464,785)**	**1,004,592**	1,421,339	(553,838)	867,501
Premiums earned during the year	**(1,413,894)**	**483,060**	**(930,834)**	(1,380,627)	530,473	(850,154)
Effect of movement in exchange rates	**117**	**(50)**	**67**	(890)	491	(399)
At 31 December	**771,236**	**(212,306)**	**558,930**	715,636	(230,531)	485,105

14. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Recognised deferred tax liabilities are attributable to the following:

	Group 2018 RM'000	Group 2017 RM'000
Other investments at FVOCI	**4,153**	-
Other investments at FVTPL	**1,061**	-
Other investments at AC	**(321)**	-
Available-for-sale financial assets	**-**	1,001
	4,893	1,001

NOTES
TO THE FINANCIAL STATEMENTS

14. DEFERRED TAX LIABILITIES (CONTINUED)

Movement in temporary differences during the financial year

	Note	2018 RM'000	2017 RM'000
Group			
As at 31 December 2017/ 1 January 2017		**1,001**	944
Changes on initial application of MFRS 9		**619**	-
As at 1 January		**1,620**	944
Recognised in profit or loss during the year	28	**(442)**	-
Recognised in OCI during the year	28	**3,715**	(75)
Effect of movement in exchange rates		**-**	132
As at 31 December		**4,893**	1,001

15. FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2018 RM'000	Interest 2018 RM'000	Present value of minimum lease payments 2018 RM'000	Future minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000
Group						
Less than one year	-	-	-	203	34	169
Between one and five years	-	-	-	790	60	730
	-	-	-	993	94	899

16. INSURANCE PAYABLES

	Group	
	2018 RM'000	2017 RM'000
Due to reinsurers and cedants	**78,774**	99,630
Due to agents, brokers, co-insurers and insured	**9,724**	22,264
	88,498	121,894

The carrying amounts disclosed above approximate their fair values at the end of the reporting period.

17. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash collateral deposit received from policyholders	**75,461**	85,074	**-**	-
Deposit premiums	**125**	1,449	**-**	-
Other payables	**13,766**	8,121	**-**	-
Accrued expenses	**17,760**	16,173	**1,163**	1,198
	107,112	110,817	**1,163**	1,198

The carrying amounts disclosed above approximate their fair values at the end of the reporting period.

18. OPERATING REVENUE

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross earned premiums	19	**1,413,894**	1,380,627	**-**	-
Dividend income		**32,926**	28,191	**238,063**	195,414
Interest income (net of amortisation of premiums and accretion of discounts)		**65,961**	60,972	**6,626**	7,807
Rental of premises	4, 20	**882**	841	**-**	-
		1,513,663	1,470,631	**244,689**	203,221

NOTES
TO THE FINANCIAL STATEMENTS

19. UNDERWRITING RESULTS OF INSURANCE FUND

		Fire		Motor		Marine, aviation & transit		Miscellaneous		Total	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group											
Gross written premiums		**622,759**	560,300	**328,988**	297,550	**75,335**	78,110	**442,295**	485,379	**1,469,377**	1,421,339
Change in unearned premiums provision		**(26,649)**	23,362	**(19,037)**	9,701	**2,394**	2,932	**(12,191)**	(76,707)	**(55,483)**	(40,712)
Gross earned premiums	18	**596,110**	583,662	**309,951**	307,251	**77,729**	81,042	**430,104**	408,672	**1,413,894**	1,380,627
Gross written premiums ceded to reinsurers		**(206,262)**	(188,266)	**(14,947)**	(27,947)	**(55,812)**	(60,547)	**(187,764)**	(277,078)	**(464,785)**	(553,838)
Change in unearned premiums provision		**2,750**	(19,585)	**(7,753)**	(15,229)	**(2,965)**	(2,522)	**(10,307)**	60,701	**(18,275)**	23,365
Premiums ceded to reinsurers		**(203,512)**	(207,851)	**(22,700)**	(43,176)	**(58,777)**	(63,069)	**(198,071)**	(216,377)	**(483,060)**	(530,473)
Net earned premiums		**392,598**	375,811	**287,251**	264,075	**18,952**	17,973	**232,033**	192,295	**930,834**	850,154

19. UNDERWRITING RESULTS OF INSURANCE FUND (CONTINUED)

		Fire		Motor		Marine, aviation & transit		Miscellaneous		Total	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group											
Net claims incurred	25	**(52,326)**	(56,361)	**(210,745)**	(187,433)	**(2,919)**	(5,036)	**(114,978)**	(78,881)	**(380,968)**	(327,711)
Commission income	23	**44,033**	48,629	**3,241**	7,702	**5,711**	5,462	**51,030**	56,767	**104,015**	118,560
Commission expense	23	**(70,593)**	(72,027)	**(29,570)**	(29,104)	**(4,523)**	(4,552)	**(58,154)**	(57,113)	**(162,840)**	(162,796)
Net commission		**(26,560)**	(23,398)	**(26,329)**	(21,402)	**1,188**	910	**(7,124)**	(346)	**(58,825)**	(44,236)
Total out-go		**(78,886)**	(79,759)	**(237,074)**	(208,835)	**(1,731)**	(4,126)	**(122,102)**	(79,227)	**(439,793)**	(371,947)
Underwriting surplus before management expenses		**313,712**	296,052	**50,177**	55,240	**17,221**	13,847	**109,931**	113,068	**491,041**	478,207
Management expenses of the insurance fund										**(187,538)**	(172,394)
Underwriting surplus after management expenses										**303,503**	305,813
Net claims incurred ratio (%)		**13.3**	15.0	**73.4**	71.0	**15.4**	28.0	**49.6**	41.0	**40.9**	38.5

NOTES
TO THE FINANCIAL STATEMENTS

20. INVESTMENT INCOME

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
FVOCI financial assets					
Dividend income					
- Equity securities quoted in Malaysia		**29,089**	-	**28,063**	-
FVTPL financial assets					
Dividend income					
- Equity securities quoted outside Malaysia		**140**	-	**-**	-
- Unquoted equity securities in Malaysia		**59**	-	**-**	-
- Unit trust		**432**	-	**-**	-
- Real estate investment trusts ("REITs")		**105**	-	**-**	-
- Exchange-traded fund ("ETF")		**21**	-	**-**	-
- Liquid investments		**3,080**	-	**-**	-
Interest/ profit income					
- Corporate bonds and sukuk		**8,303**	-	**750**	-
Amortisation of premiums, net of accretion of discounts		**(68)**	-	**-**	-
Amortised cost					
Interest/ profit income					
- Malaysian government guaranteed loans		**1,729**	-	**-**	-
- Corporate bonds and sukuk		**2,091**	-	**-**	-
- Fixed and call deposits		**53,932**	-	**5,876**	-
Amortisation of premiums, net of accretion of discounts		**(26)**	-	**-**	-
Available-for-sale financial assets					
Dividend income					
- Equity securities quoted in Malaysia		**-**	26,359	**-**	25,414
- Equity securities quoted outside Malaysia		**-**	117	**-**	-
- Unquoted equity securities in Malaysia		**-**	59	**-**	-
- Unit trust		**-**	170	**-**	-
- Real estate investment trusts ("REITs")		**-**	54	**-**	-

20. INVESTMENT INCOME (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Held-to-maturity financial assets					
Interest/ profit income					
- Malaysian government securities		**-**	115	**-**	-
- Malaysian government guaranteed loans		**-**	1,634	**-**	-
- Corporate bonds and sukuk		**-**	9,967	**-**	750
Amortisation of premiums, net of accretion of discounts		**-**	(63)	**-**	-
Loans and receivables and cash and cash equivalents					
Dividend income					
- Liquid investments		**-**	1,432	**-**	-
Interest/ profit income		**-**	49,319	**-**	7,057
Dividend income from unquoted subsidiary		**-**	-	**210,000**	170,000
Rental of properties received from third parties	4, 18	**882**	841	**-**	-
Total investment income		**99,769**	90,004	**244,689**	203,221

21. REALISED GAINS AND LOSSES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Realised gains for:				
Gain on disposal plant and equipment	**-**	453	**-**	-
Available-for-sale financial assets				
Equity securities in corporations				
- Quoted in Malaysia	**-**	2,513	**-**	1,471
	-	2,966	**-**	1,471
Realised losses for:				
Amortised cost				
Corporate bonds and sukuk				
- Unquoted outside Malaysia	**(70)**	-	**-**	-
	(70)	-	**-**	-

NOTES
TO THE FINANCIAL STATEMENTS

22. FAIR VALUE GAINS AND LOSSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fair value gains for:				
FVTPL financial assets				
Equity securities in corporations				
- Unquoted in Malaysia	13	-	-	-
- Unquoted outside Malaysia	63	-	-	-
Real estate investment trusts ("REITs")				
- Quoted in Malaysia	3	-	-	-
Liquid investments	26	-	-	-
	105	-	-	-
Fair value losses for:				
FVTPL financial assets				
Equity securities in corporations				
- Quoted outside Malaysia	(371)	-	-	-
Unit Trust				
- Quoted in Malaysia	(144)	-	-	-
Exchange-traded fund ("ETF")				
- Quoted outside Malaysia	(43)	-	-	-
Corporate bonds and sukuk				
- Unquoted in Malaysia	(1,118)	-	(254)	-
- Unquoted outside Malaysia	(144)	-	-	-
	(1,820)	-	(254)	-

23. COMMISSION INCOME/ (EXPENSE)

		Group	
	Note	2018 RM'000	2017 RM'000
Commission income			
Commission income		**100,895**	119,210
Movement in deferred acquisition costs	10	**3,120**	(650)
Total commission income	19	**104,015**	118,560
Commission expense			
Commission expense		**(171,620)**	(166,612)
Movement in deferred acquisition costs	10	**8,780**	3,816
Total commission expense	19	**(162,840)**	(162,796)

24. OTHER OPERATING INCOME

	2018 RM'000	2017 RM'000
Group		
Interest on staff car loans	**85**	135
Interest on staff housing loans	**759**	803
Interest on bank balance	**23**	6
Sundry income	**5,964**	6,961
	6,831	7,905
Company		
Secretarial fees earned	**-**	59

NOTES
TO THE FINANCIAL STATEMENTS

25. NET CLAIMS INCURRED

	Note	Group 2018 RM'000	Group 2017 RM'000
Gross claims paid less salvage	13.1	**520,254**	510,816
Claims ceded to reinsurers	13.1	**(161,008)**	(187,144)
Net claims paid	13.1	**359,246**	323,672
Gross change in claims liabilities:			
At 31 December	13.1	**1,087,758**	920,786
At 1 January	13.1	**(920,786)**	(933,644)
Effect of movement in exchange rates		**(324)**	2,560
		166,648	(10,298)
Change in claims liabilities ceded to reinsurers:			
At 31 December	13.1	**(607,290)**	(462,260)
At 1 January	13.1	**462,260**	477,378
Effect of movement in exchange rates		**104**	(781)
		(144,926)	14,337
	19	**380,968**	327,711

26. MANAGEMENT EXPENSES

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Personnel expenses (including key management personnel)					
Company's Directors					
- Directors' fees	27	**2,065**	2,165	**1,015**	965
- Directors' remuneration	27	**2,666**	2,505	**2,387**	2,187
Subsidiaries' Directors					
- Directors' fees	27	**350**	88	**-**	-
- Directors' remuneration	27	**1,586**	40	**-**	-
Wages, salaries and others		**99,621**	95,437	**1,078**	541
Contributions to Employees' Provident Fund		**11,900**	11,552	**130**	65
		118,188	111,787	**4,610**	3,758
Auditors' remuneration					
Auditors of the Company					
- Statutory audit		**402**	392	**90**	90
- Other services		**105**	149	**6**	19
Affiliates of auditors of the Company					
- Statutory audit		**392**	376	**-**	-
- Other services		**144**	90	**6**	-
Depreciation of plant and equipment	3	**3,285**	3,185	**121**	122
Rental expense on office premises		**6,747**	6,460	**39**	40
Realised foreign exchange loss		**300**	99	**-**	-
Unrealised foreign exchange (gain)/ loss		**(689)**	215	**-**	-
Write off of plant and equipment		**3**	3	**-**	-
Other expenses		**63,731**	57,978	**1,674**	1,666
Total management expenses		**192,608**	180,734	**6,546**	5,695

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27. KEY MANAGEMENT PERSONNEL COMPENSATION

The total remuneration (including benefits-in-kind) of the Directors and other key management personnel are as follows:

Group 2018	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits-in-kind RM'000	Total RM'000
Directors							
Executive Director and Group Chief Executive Officer							
- Tan Kok Guan	120	1,044	1,087	256	-	42	2,549
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	670	-	-	-	11	35	716
- Tee Choon Yeow	415	-	-	-	67	-	482
- Lee Chin Guan	270	-	-	-	67	-	337
- Quah Poh Keat	270	-	-	-	67	-	337
- Chan Kwai Hoe	270	-	-	-	67	-	337
- Soo Chow Lai (appointed on 1 August 2018)	50	-	-	-	-	-	50
	1,945	-	-	-	279	35	2,259
Total Directors' remuneration (including benefits-in-kind)	2,065	1,044	1,087	256	279	77	4,808
Other key management personnel							
Executive Director and Chief Executive Officer of subsidiary							
- Looi Kong Meng	150	720	600	159	19	35	1,683
Non-Executive Directors of subsidiary							
- Encik Mohd Suffian Bin Haji Haron	150	-	-	-	67	-	217
- Wong Ah Kow (appointed on 1 September 2018)	50	-	-	-	21	-	71
	200	-	-	-	88	-	288
Total other key management personnel remuneration (including benefits-in-kind)	350	720	600	159	107	35	1,971
Total Directors' and other key management personnel remuneration (including benefits-in-kind)	2,415	1,764	1,687	415	386	112	6,779

27. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Group 2017	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits-in-kind RM'000	Total RM'000
Directors							
Executive Director and Group Chief Executive Officer							
- Tan Kok Guan	270	936	1,017	234	23	39	2,519
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	670	-	-	-	11	30	711
- Tee Choon Yeow	415	-	-	-	71	-	486
- Lee Chin Guan	270	-	-	-	71	-	341
- Quah Poh Keat	270	-	-	-	71	-	341
- Chan Kwai Hoe	270	-	-	-	71	-	341
	1,895	-	-	-	295	30	2,220
Total Directors' remuneration (including benefits-in-kind)	2,165	936	1,017	234	318	69	4,739
Other key management personnel							
Chief Executive Officer of subsidiary							
- Looi Kong Meng	-	648	570	146	-	35	1,399
Non-Executive Directors of subsidiary							
- Encik Mohd Suffian Bin Haji Haron (appointed on 1 June 2017)	88	-	-	-	40	-	128
Total other key management personnel remuneration (including benefits-in-kind)	88	648	570	146	40	35	1,527
Total Directors' and other key management personnel remuneration (including benefits-in-kind)	2,253	1,584	1,587	380	358	104	6,266

27. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Company 2018	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director and Chief Executive Officer						
- Tan Kok Guan	**120**	**1,044**	**1,087**	**256**	**42**	**2,549**
Non-Executive Directors						
- Tan Sri Dato' Sri Dr. Teh Hong Piow	**300**	**-**	**-**	**-**	**-**	**300**
- Tee Choon Yeow	**185**	**-**	**-**	**-**	**-**	**185**
- Lee Chin Guan	**120**	**-**	**-**	**-**	**-**	**120**
- Quah Poh Keat	**120**	**-**	**-**	**-**	**-**	**120**
- Chan Kwai Hoe	**120**	**-**	**-**	**-**	**-**	**120**
- Soo Chow Lai (appointed on 1 August 2018)	**50**	**-**	**-**	**-**	**-**	**50**
	895	**-**	**-**	**-**	**-**	**895**
Total Directors' remuneration (including benefits-in-kind)	**1,015**	**1,044**	**1,087**	**256**	**42**	**3,444**

Company 2017	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director and Chief Executive Officer						
- Tan Kok Guan	120	936	1,017	234	39	2,346
Non-Executive Directors						
- Tan Sri Dato' Sri Dr. Teh Hong Piow	300	-	-	-	-	300
- Tee Choon Yeow	185	-	-	-	-	185
- Lee Chin Guan	120	-	-	-	-	120
- Quah Poh Keat	120	-	-	-	-	120
- Chan Kwai Hoe	120	-	-	-	-	120
	845	-	-	-	-	845
Total Directors' remuneration (including benefits-in-kind)	965	936	1,017	234	39	3,191

28. TAX EXPENSE

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Recognised in profit or loss					
Current tax expense					
Malaysian					
- current year		**91,559**	91,270	**1,556**	2,200
- prior years		**181**	(1,407)	**(17)**	(24)
Overseas					
- current year		**384**	-	**-**	-
- prior years		**234**	92	**-**	-
Total current tax recognised in profit or loss		**92,358**	89,955	**1,539**	2,176
Deferred tax expense					
Malaysian					
- origination and reversal of temporary differences		**(346)**	-	**-**	-
Overseas					
- origination and reversal of temporary differences		**(96)**	-	**-**	-
Total deferred tax recognised in profit or loss	14	**(442)**	-	**-**	-
Share of tax of equity accounted associated company		**216**	207	**-**	-
Total income tax expense		**92,132**	90,162	**1,539**	2,176
Reconciliation of tax expense					
Profit for the year		**314,049**	313,794	**236,350**	196,880
Total taxation		**92,132**	90,162	**1,539**	2,176
Profit excluding tax		**406,181**	403,956	**237,889**	199,056
Income tax using Malaysian tax rate of 24% (2017: 24%)		**97,483**	96,949	**57,093**	47,773
Effect of lower tax rates for offshore business and business outside Malaysia		**(2,043)**	(1,750)	**-**	-
Difference in effective tax rate of equity accounted associated company		**(799)**	(440)	**-**	-
Non-deductible expenses		**3,281**	1,937	**1,598**	1,326
Tax exempt income		**(8,208)**	(7,252)	**(57,135)**	(46,899)
Other items		**2,003**	2,033	**-**	-
		91,717	91,477	**1,556**	2,200
Under/ (Over) provision in prior years		**415**	(1,315)	**(17)**	(24)
Tax expense		**92,132**	90,162	**1,539**	2,176

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28. TAX EXPENSE (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Recognised in OCI					
Items that will not be reclassified to profit or loss					
FVOCI financial assets					
- Deferred tax	14	**(3,715)**	-	**-**	-
Available-for-sale financial assets					
- Deferred tax	14	**-**	75	**-**	-

29. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to owners of the Company of RM314,049,000 (2017: RM313,794,000) and the weighted average number of ordinary shares outstanding during the year of 398,383,000 (2017: 398,383,000).

Weighted average number of ordinary shares

Group	2018 '000	2017 '000
Issued ordinary shares at 1 January	**331,986**	331,986
Effect of bonus issue	**66,397**	66,397
Weighted average number of ordinary shares at 31 December	**398,383**	398,383

The comparative figures for the weighted average number of ordinary shares for basic earnings per share have been restated to reflect the adjustments arising from bonus issue during the year.

30. DIVIDENDS

Dividends recognised in the current year by the Company as appropriation of profits are as follows:

2018	Sen per share (net of tax)	Total amount RM'000	Date of payment
Second interim 2017 ordinary	**45.00**	**149,394**	**6 February 2018**
First interim 2018 ordinary	**26.00**	**103,579**	**1 August 2018**
Total amount		**252,973**	

30. DIVIDENDS (CONTINUED)

2017	Sen per share (net of tax)	Total amount RM'000	Date of payment
Second interim 2016 ordinary	55.00	182,592	2 March 2017
First interim 2017 ordinary	27.00	89,636	2 August 2017
Total amount		272,228	

After the reporting period the following dividends were proposed by the Directors:

	Group and Company	
	Sen per share	Total amount RM'000
Second interim single tier	42.00	167,321

The dividend will be payable on 27 February 2019 and will be recognised in subsequent financial period. The Directors do not propose any final dividend for the financial year ended 31 December 2018.

31. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports on a monthly basis. Inter-segment pricing, if any, is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group comprises the following main business segments:

General insurance - Underwriting of all classes of general insurance business, mainly carried out by Lonpac Insurance Bhd

Investment holding - Investment holding operations, mainly carried out by LPI Capital Bhd

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TO THE FINANCIAL STATEMENTS

31. OPERATING SEGMENT (CONTINUED)

Group	General insurance 2018 RM'000	General insurance 2017 RM'000	Investment holding 2018 RM'000	Investment holding 2017 RM'000	Total 2018 RM'000	Total 2017 RM'000
Business segments						
External revenue	**1,478,974**	1,437,410	**34,689**	33,221	**1,513,663**	1,470,631
Inter-segment revenue	**-**	-	**210,000**	170,000	**210,000**	170,000
Total revenue	**1,478,974**	1,437,410	**244,689**	203,221	**1,723,663**	1,640,631
Segment profit before tax	**378,076**	374,693	**237,889**	199,056	**615,965**	573,749
Segment assets	**3,029,199**	2,755,613	**1,411,354**	1,259,002	**4,440,553**	4,014,615
Segment liabilities	**2,082,418**	1,891,863	**1,350**	1,841	**2,083,768**	1,893,704

	Malaysia 2018 RM'000	Malaysia 2017 RM'000	Outside Malaysia 2018 RM'000	Outside Malaysia 2017 RM'000	Eliminations 2018 RM'000	Eliminations 2017 RM'000	Consolidated 2018 RM'000	Consolidated 2017 RM'000
Geographical segments by location of customers/ assets								
Revenue from external customers	**1,442,254**	1,397,707	**71,409**	72,924	**-**	-	**1,513,663**	1,470,631
Segment assets	**4,027,007**	3,603,661	**311,388**	307,126	**(97,842)**	(96,172)	**4,240,553**	3,814,615

Reconciliation of reportable segment revenue, profit and assets.

Group	2018 RM'000	2017 RM'000
Revenue		
Total revenue for reportable segments	**1,723,663**	1,640,631
Elimination of inter-segment revenue	**(210,000)**	(170,000)
Consolidated revenue	**1,513,663**	1,470,631
Profit		
Total profit for reportable segments	**615,965**	573,749
Elimination of inter-segment profit	**(210,000)**	(170,000)
Consolidated profit before tax	**405,965**	403,749
Assets		
Total assets for reportable segments	**4,440,553**	4,014,615
Elimination of inter-segment assets	**(200,000)**	(200,000)
Consolidated assets	**4,240,553**	3,814,615

32. INSURANCE RISK

The Group underwrites various general insurance contracts, which are mostly on an annual coverage and annual premium basis, with the exception of short-term policies such as Marine Cargo which covers the duration in which the cargo is being transported. Some of the policies are guaranteed renewable, such as the Medical products which are subject to a triennial review. The Group also underwrites some non-annual policies with coverage period more than one year such as Mortgage Reducing Personal Accident, Contractor's All Risk and Engineering, Bonds and Workmen Compensation. The majority of the insurance businesses written by the Group are Fire and Motor. Other major lines of business include Offshore Oil Related, Contractor's All Risk and Engineering, Medical Expenses, Liabilities and other miscellaneous classes.

Insurance risk is the risk of financial losses arising from higher than expected claims amount and the inadequacy of insurance liabilities reserves. By underwriting insurance contracts, the Group takes on insurance risk by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The principal risk the Group faces under insurance contracts is that the actual claims and benefits payments differ from expectations; the risks arise from the fluctuations in timing, frequency and severity of claims; as well as the adequacy of premiums and reserves.

The Group is also exposed to risks arising from climate changes, natural disasters, terrorism activities and regulatory changes such as the phased liberalisation of motor and fire tariff. For longer tail claims that take some years to settle, there is also inflation risk.

The Group's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Group seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

The Group's underwriting strategy is intended to ensure that the risks underwritten are well diversified across a large portfolio of insurance contracts and geographical areas. The variability of risks is managed by the selection and implementation of underwriting strategic guidelines, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

The Group adopts the following measures to manage the insurance risks:

- The Group adopts an underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines, with set limits on underwriting capacity and authority to individuals based on their specific expertise. Product Development, Pricing and Re-Pricing Policy has been established to provide a structured product development process to promote sound risk management practices in managing and controlling product and insurance risks.

- The Group has in place a claims management and control system to pay claims and control claim overpayment or fraud. The Group has claim review policies to assess new and ongoing claims. Reviews of claims handling procedures and investigation of possible fraudulent claims are conducted to reduce the risk exposure of the Group. The Group also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that may impact the business in a negative manner.

- The Group purchases reinsurance as part of its risks mitigation programme. The objectives for purchasing reinsurance are to provide market-leading capacity for the Group's customers while protecting the statement of financial position and optimising the Group's capital efficiency. Reinsurance is ceded on both proportional and non-proportional basis. The Group's placement of reinsurance is well diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

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32. INSURANCE RISK (CONTINUED)

The table below sets out the concentration of the Group's general insurance business by type of product based on gross and net written premiums.

	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000
Motor	**328,988**	**(14,947)**	**314,041**	297,550	(27,947)	269,603
Fire	**622,759**	**(206,262)**	**416,497**	560,300	(188,266)	372,034
Marine, aviation and transit	**75,335**	**(55,812)**	**19,523**	78,110	(60,547)	17,563
Miscellaneous	**442,295**	**(187,764)**	**254,531**	485,379	(277,078)	208,301
	1,469,377	**(464,785)**	**1,004,592**	1,421,339	(553,838)	867,501

The table below sets out the concentration of the Group's insurance contract liabilities by type of product.

	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000
Motor	**510,444**	**(41,281)**	**469,163**	486,731	(60,456)	426,275
Fire	**618,006**	**(334,734)**	**283,272**	467,337	(216,464)	250,873
Marine, aviation and transit	**96,574**	**(82,727)**	**13,847**	85,484	(70,737)	14,747
Miscellaneous	**633,970**	**(360,854)**	**273,116**	596,870	(345,134)	251,736
	1,858,994	**(819,596)**	**1,039,398**	1,636,422	(692,791)	943,631

32. INSURANCE RISK (CONTINUED)

Key assumptions

The principal assumption underlying the estimation of liabilities is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims numbers for each accident year and average claims settlement period.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in the market and economic conditions, as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors may affect the estimates.

The recommended claims and premium liability provisions did not explicitly allow for discounting and inflation adjustment. Implicit inflation has been allowed for future claims to the extent evident in past claims development. Discounting is unlikely to result in any material impact due to the short tail nature of most classes coupled with the low prevailing interest rate environment.

The Group has based its risk margin for adverse deviation for the provisions for unexpired risks and insurance claims at a 75% level of sufficiency, according to the requirement set by Bank Negara Malaysia under the Risk-Based Capital ("RBC") Framework.

Sensitivities

The actuary re-runs his valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process in respect of its insurance contracts. The information in the table below demonstrates the sensitivity of the insurance contract liabilities estimates to a defined movement in key assumptions of the estimation process.

The sensitivity analysis is performed across key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions may have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

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TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Group	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
2018					
Average claims cost	**+10%**	**93,762**	**46,051**	**(46,051)**	**(34,999)**
Average number of claims	**+10%**	**65,103**	**40,864**	**(40,864)**	**(31,057)**
Average claims settlement period	**Increased by 6 months**	**23,154**	**11,372**	**(11,372)**	**(8,643)**
2017					
Average claims cost	+10%	86,454	42,858	(42,858)	(32,572)
Average number of claims	+10%	61,942	40,060	(40,060)	(30,446)
Average claims settlement period	Increased by 6 months	21,362	10,584	(10,584)	(8,044)

* Impact on equity reflects adjustments for tax, when applicable.

Claims development table

The following tables show the Group's estimate of cumulative incurred claims for its Motor and Non-motor business, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The cumulative claims estimates and cumulative payments for Singapore are translated to RM at the exchange rate applied at the end of the financial year.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating any redundancies or deficiencies of the past on current unpaid claim balances.

The management of the Group believes that the estimate of total claims outstanding as of 31 December 2018 is adequate. However, due to the inherent uncertainties in the future development of claims, it cannot be fully assured that such balances will ultimately prove to be adequate.

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018:

Group - Motor

	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year										
At end of accident year	166,189	180,721	171,288	174,581	215,556	227,212	233,704	253,152	-	
One year later	173,793	180,720	167,276	171,442	205,004	220,901	222,874	-	-	
Two years later	170,491	181,085	165,398	168,537	199,141	220,560	-	-	-	
Three years later	171,503	180,033	162,055	166,733	190,368	-	-	-	-	
Four years later	173,696	178,776	161,557	163,151	-	-	-	-	-	
Five years later	175,087	177,156	159,682	-	-	-	-	-	-	
Six years later	170,328	172,638	-	-	-	-	-	-	-	
Seven years later	169,437	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	169,437	172,638	159,682	163,151	190,368	220,560	222,874	253,152	1,551,862	
At end of accident year	71,483	78,768	75,232	72,600	83,456	95,466	101,493	104,593	-	
One year later	128,920	136,360	123,360	121,197	145,287	162,331	168,653	-	-	
Two years later	148,748	154,502	139,892	141,315	165,652	188,973	-	-	-	
Three years later	156,275	163,654	147,941	149,514	173,449	-	-	-	-	
Four years later	162,227	168,614	152,562	153,226	-	-	-	-	-	
Five years later	168,721	169,250	153,514	-	-	-	-	-	-	
Six years later	169,037	169,718	-	-	-	-	-	-	-	
Seven years later	169,236	-	-	-	-	-	-	-	-	
Cumulative payments to-date	169,236	169,718	153,514	153,226	173,449	188,973	168,653	104,593	1,281,362	

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32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018 (continued):

Group - Motor

	Note	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		231	201	2,920	6,168	9,925	16,919	31,587	54,221	148,559	270,731
Gross general insurance outstanding liabilities (treaty inward)											141
Gross general insurance outstanding liabilities (MMIP)											30,937
Best estimate of claims liabilities											301,809
Claims handling expenses											5,746
Fund PRAD at 75% confidence level											32,392
Gross provision for outstanding claims	13.2										339,947

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2017:

Group - Motor

	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Accident year										
At end of accident year		143,820	166,189	180,721	171,288	174,581	215,556	227,212	233,704	-
One year later		145,637	173,793	180,720	167,276	171,442	205,004	220,901	-	-
Two years later		146,810	170,491	181,085	165,398	168,537	199,141	-	-	-
Three years later		147,528	171,503	180,033	162,055	166,733	-	-	-	-
Four years later		146,517	173,696	178,776	161,557	-	-	-	-	-
Five years later		149,277	175,087	177,156	-	-	-	-	-	-
Six years later		148,505	170,328	-	-	-	-	-	-	-
Seven years later		146,949	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		146,949	170,328	177,156	161,557	166,733	199,141	220,901	233,704	1,476,469
At end of accident year		64,122	71,483	78,768	75,232	72,600	83,456	95,466	101,493	-
One year later		111,305	128,920	136,360	123,360	121,197	145,287	162,331	-	-
Two years later		127,941	148,748	154,502	139,892	141,315	165,652	-	-	-
Three years later		136,044	156,275	163,654	147,941	149,514	-	-	-	-
Four years later		138,212	162,227	168,614	152,562	-	-	-	-	-
Five years later		141,568	168,721	169,250	-	-	-	-	-	-
Six years later		146,060	169,037	-	-	-	-	-	-	-
Seven years later		145,786	-	-	-	-	-	-	-	-
Cumulative payments to-date		145,786	169,037	169,250	152,562	149,514	165,652	162,331	101,493	1,215,625

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32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2017 (continued):

Group - Motor

	Note	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		943	1,163	1,291	7,906	8,995	17,219	33,489	58,570	132,211	261,787
Gross general insurance outstanding liabilities (treaty inward)											628
Gross general insurance outstanding liabilities (MMIP)											35,870
Best estimate of claims liabilities											298,285
Claims handling expenses											5,538
Fund PRAD at 75% confidence level											31,474
Gross provision for outstanding claims	13.2										335,297

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018:

Group - Non-motor

	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year										
At end of accident year	270,712	229,089	324,501	279,158	299,458	315,598	403,374	545,692	-	
One year later	231,204	242,716	349,282	293,128	349,137	287,273	360,709	-	-	
Two years later	216,872	227,616	336,316	274,247	301,291	275,428	-	-	-	
Three years later	207,912	248,330	303,759	251,598	287,233	-	-	-	-	
Four years later	210,111	243,350	300,078	251,002	-	-	-	-	-	
Five years later	205,635	230,653	297,789	-	-	-	-	-	-	
Six years later	200,428	229,392	-	-	-	-	-	-	-	
Seven years later	199,236	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	199,236	229,392	297,789	251,002	287,233	275,428	360,709	545,692	2,446,481	
At end of accident year	97,018	62,252	83,519	76,250	73,827	110,409	122,442	132,996	-	
One year later	163,250	138,492	176,147	192,412	228,703	216,755	251,088	-	-	
Two years later	176,766	184,274	223,446	218,678	259,159	237,659	-	-	-	
Three years later	187,505	207,305	236,986	227,757	267,323	-	-	-	-	
Four years later	192,957	210,554	255,019	230,184	-	-	-	-	-	
Five years later	195,859	216,780	259,066	-	-	-	-	-	-	
Six years later	195,887	214,901	-	-	-	-	-	-	-	
Seven years later	196,709	-	-	-	-	-	-	-	-	
Cumulative payments to-date	196,709	214,901	259,066	230,184	267,323	237,659	251,088	132,996	1,789,926	

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TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018 (continued):

Group - Non-motor

	Note	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		3,494	2,527	14,491	38,723	20,818	19,910	37,769	109,621	412,696	660,049
Gross general insurance outstanding liabilities (treaty inward)											3,021
Best estimate of claims liabilities											663,070
Claims handling expenses											4,508
Fund PRAD at 75% confidence level											80,233
Gross provision for outstanding claims	13.2										747,811

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2017:

Group - Non-motor

	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Accident year										
At end of accident year	195,931	270,712	229,089	324,501	279,158	299,458	315,598	403,374	-	
One year later	193,299	231,204	242,716	349,282	293,128	349,137	287,273	-	-	
Two years later	213,052	216,872	227,616	336,316	274,247	301,291	-	-	-	
Three years later	208,531	207,912	248,330	303,759	251,598	-	-	-	-	
Four years later	200,615	210,111	243,350	300,078	-	-	-	-	-	
Five years later	204,869	205,635	230,653	-	-	-	-	-	-	
Six years later	203,698	200,428	-	-	-	-	-	-	-	
Seven years later	201,049	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	201,049	200,428	230,653	300,078	251,598	301,291	287,273	403,374	2,175,744	
At end of accident year	49,944	97,018	62,252	83,519	76,250	73,827	110,409	122,442	-	
One year later	127,218	163,250	138,492	176,147	192,412	228,703	216,755	-	-	
Two years later	145,215	176,766	184,274	223,446	218,678	259,159	-	-	-	
Three years later	151,513	187,505	207,305	236,986	227,757	-	-	-	-	
Four years later	165,022	192,957	210,554	255,019	-	-	-	-	-	
Five years later	169,652	195,859	216,780	-	-	-	-	-	-	
Six years later	179,110	195,887	-	-	-	-	-	-	-	
Seven years later	178,566	-	-	-	-	-	-	-	-	
Cumulative payments to-date	178,566	195,887	216,780	255,019	227,757	259,159	216,755	122,442	1,672,365	

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TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2017 (continued):

Group - Non-motor

	Note	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		4,718	22,483	4,541	13,873	45,059	23,841	42,132	70,518	280,932	508,097
Gross general insurance outstanding liabilities (treaty inward)											3,635
Best estimate of claims liabilities											511,732
Claims handling expenses											5,308
Fund PRAD at 75% confidence level											68,449
Gross provision for outstanding claims	13.2										585,489

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018:

Group - Motor

	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year										
At end of accident year		141,630	154,542	144,898	144,243	173,556	182,729	204,560	234,092	-
One year later		146,918	154,828	141,320	140,217	165,112	179,545	195,522	-	-
Two years later		144,932	155,272	139,198	138,031	158,583	175,446	-	-	-
Three years later		144,693	154,177	137,617	136,686	153,602	-	-	-	-
Four years later		145,679	153,889	136,685	134,184	-	-	-	-	-
Five years later		144,911	152,730	135,005	-	-	-	-	-	-
Six years later		140,979	148,778	-	-	-	-	-	-	-
Seven years later		140,152	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		140,152	148,778	135,005	134,184	153,602	175,446	195,522	234,092	1,316,781
At end of accident year		61,958	68,411	64,520	60,592	68,167	78,680	88,483	98,373	-
One year later		111,054	117,950	104,998	100,425	118,175	133,858	148,453	-	-
Two years later		127,915	133,400	118,897	116,298	134,079	150,964	-	-	-
Three years later		134,142	141,014	125,744	123,038	140,262	-	-	-	-
Four years later		138,178	145,191	129,278	126,316	-	-	-	-	-
Five years later		139,354	145,787	130,021	-	-	-	-	-	-
Six years later		139,839	146,181	-	-	-	-	-	-	-
Seven years later		139,974	-	-	-	-	-	-	-	-
Cumulative payments to-date		139,974	146,181	130,021	126,316	140,262	150,964	148,453	98,373	1,080,544

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TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018 (continued):

Group - Motor

	Note	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		204	178	2,597	4,984	7,868	13,340	24,482	47,069	135,719	236,441
Net general insurance outstanding liabilities (additional provision)											11
Net general insurance outstanding liabilities (treaty inward)											141
Net general insurance outstanding liabilities (MMIP)											30,937
Best estimate of claims liabilities											267,530
Claims handling expenses											5,746
Fund PRAD at 75% confidence level											27,540
Net provision for outstanding claims	13.2										300,816

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2017:

Group - Motor

	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Accident year										
At end of accident year	122,850	141,630	154,542	144,898	144,243	173,556	182,729	204,560	-	
One year later	126,931	146,918	154,828	141,320	140,217	165,112	179,545	-	-	
Two years later	123,576	144,932	155,272	139,198	138,031	158,583	-	-	-	
Three years later	123,216	144,693	154,177	137,617	136,686	-	-	-	-	
Four years later	123,072	145,679	153,889	136,685	-	-	-	-	-	
Five years later	124,113	144,911	152,730	-	-	-	-	-	-	
Six years later	123,476	140,979	-	-	-	-	-	-	-	
Seven years later	122,066	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	122,066	140,979	152,730	136,685	136,686	158,583	179,545	204,560	1,231,834	
At end of accident year	56,433	61,958	68,411	64,520	60,592	68,167	78,680	88,483	-	
One year later	97,130	111,054	117,950	104,998	100,425	118,175	133,858	-	-	
Two years later	110,787	127,915	133,400	118,897	116,298	134,079	-	-	-	
Three years later	116,995	134,142	141,014	125,744	123,038	-	-	-	-	
Four years later	118,952	138,178	145,191	129,278	-	-	-	-	-	
Five years later	121,208	139,354	145,787	-	-	-	-	-	-	
Six years later	121,634	139,839	-	-	-	-	-	-	-	
Seven years later	121,575	-	-	-	-	-	-	-	-	
Cumulative payments to-date	121,575	139,839	145,787	129,278	123,038	134,079	133,858	88,483	1,015,937	

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TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2017 (continued):

Group - Motor

	Note	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		809	491	1,140	6,943	7,407	13,648	24,504	45,687	116,077	216,706
Net general insurance outstanding liabilities (additional provision)											285
Net general insurance outstanding liabilities (treaty inward)											628
Net general insurance outstanding liabilities (MMIP)											35,870
Best estimate of claims liabilities											253,489
Claims handling expenses											5,538
Fund PRAD at 75% confidence level											25,719
Net provision for outstanding claims	13.2										284,746

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018:

Group - Non-motor

	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year										
At end of accident year	94,580	100,272	119,612	126,142	123,258	144,666	166,887	199,378	-	
One year later	91,660	102,505	116,065	124,617	124,584	133,968	152,732	-	-	
Two years later	89,154	99,529	115,963	120,020	119,848	128,159	-	-	-	
Three years later	87,371	101,359	110,137	115,224	114,753	-	-	-	-	
Four years later	89,364	98,215	105,498	111,956	-	-	-	-	-	
Five years later	87,523	94,647	103,773	-	-	-	-	-	-	
Six years later	85,726	93,433	-	-	-	-	-	-	-	
Seven years later	85,434	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	85,434	93,433	103,773	111,956	114,753	128,159	152,732	199,378	989,618	
At end of accident year	41,260	36,705	45,012	52,950	48,687	61,865	78,256	97,606	-	
One year later	72,854	77,159	89,094	96,408	96,536	112,294	129,658	-	-	
Two years later	77,777	84,928	98,242	106,084	105,800	120,229	-	-	-	
Three years later	80,885	90,011	100,750	107,833	108,174	-	-	-	-	
Four years later	83,703	91,459	100,803	108,865	-	-	-	-	-	
Five years later	84,571	91,456	101,360	-	-	-	-	-	-	
Six years later	84,433	91,807	-	-	-	-	-	-	-	
Seven years later	84,735	-	-	-	-	-	-	-	-	
Cumulative payments to-date	84,735	91,807	101,360	108,865	108,174	120,229	129,658	97,606	842,434	

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TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018 (continued):

Group - Non-motor

	Note	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		854	699	1,626	2,413	3,091	6,579	7,930	23,074	101,772	148,038
Net general insurance outstanding liabilities (additional provision)											3,752
Net general insurance outstanding liabilities (treaty inward)											3,021
Best estimate of claims liabilities											154,811
Claims handling expenses											4,508
Fund PRAD at 75% confidence level											20,333
Net provision for outstanding claims	13.2										179,652

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2017:

Group - Non-motor

	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Accident year										
At end of accident year	78,417	94,580	100,272	119,612	126,142	123,258	144,666	166,887	-	
One year later	75,747	91,660	102,505	116,065	124,617	124,584	133,968	-	-	
Two years later	75,353	89,154	99,529	115,963	120,020	119,848	-	-	-	
Three years later	74,316	87,371	101,359	110,137	115,224	-	-	-	-	
Four years later	74,238	89,364	98,215	105,498	-	-	-	-	-	
Five years later	76,585	87,523	94,647	-	-	-	-	-	-	
Six years later	76,043	85,726	-	-	-	-	-	-	-	
Seven years later	75,376	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	75,376	85,726	94,647	105,498	115,224	119,848	133,968	166,887	897,174	
At end of accident year	30,522	41,260	36,705	45,012	52,950	48,687	61,865	78,256	-	
One year later	61,988	72,854	77,159	89,094	96,408	96,536	112,294	-	-	
Two years later	68,178	77,777	84,928	98,242	106,084	105,800	-	-	-	
Three years later	70,438	80,885	90,011	100,750	107,833	-	-	-	-	
Four years later	71,778	83,703	91,459	100,803	-	-	-	-	-	
Five years later	74,687	84,571	91,456	-	-	-	-	-	-	
Six years later	75,189	84,433	-	-	-	-	-	-	-	
Seven years later	74,837	-	-	-	-	-	-	-	-	
Cumulative payments to-date	74,837	84,433	91,456	100,803	107,833	105,800	112,294	78,256	755,712	

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TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2017 (continued):

Group - Non-motor

	Note	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		2,214	539	1,293	3,191	4,695	7,391	14,048	21,674	88,631	143,676
Net general insurance outstanding liabilities (additional provision)											4,850
Net general insurance outstanding liabilities (treaty inward)											3,635
Best estimate of claims liabilities											152,161
Claims handling expenses											5,308
Fund PRAD at 75% confidence level											16,311
Net provision for outstanding claims	13.2										173,780

33. FINANCIAL INSTRUMENTS

33.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

2018
(a) Amortised cost ("AC");
(b) Designated as at fair value through other comprehensive income ("FVOCI");
(c) Mandatory at fair value through profit or loss ("FVTPL"); and
(d) Other financial liabilities measured at amortised cost ("FL").

2017
(e) Loans and receivables ("L&R");
(f) Available-for-sale financial assets ("AFS");
(g) Held-to-maturity financial assets ("HTM"); and
(h) Other financial liabilities measured at amortised cost ("FL").

2018	Carrying amount RM'000	AC/ (FL) RM'000	Designated as at FVOCI RM'000	Mandatory at FVTPL RM'000
Financial assets				
Group				
Other investments	1,368,652	97,922	1,090,899	179,831
Loans and receivables, excluding insurance receivables	1,298,165	1,298,165	-	-
Insurance receivables	159,997	159,997	-	-
Cash and cash equivalents	418,509	264,124	-	154,385
	3,245,323	1,820,208	1,090,899	334,216
Company				
Other investments	1,062,949	-	1,052,813	10,136
Loans and receivables, excluding insurance receivables	116,280	116,280	-	-
Cash and cash equivalents	31,798	31,798	-	-
	1,211,027	148,078	1,052,813	10,136
Financial liabilities				
Group				
Provision for claims reported by policyholders	(880,144)	(880,144)	-	-
Insurance payables	(88,498)	(88,498)	-	-
Other payables	(107,112)	(107,112)	-	-
	(1,075,754)	(1,075,754)	-	-
Company				
Other payables	(1,163)	(1,163)	-	-

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TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.1 Categories of financial instruments (continued)

2017	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	HTM RM'000
Financial assets				
Group				
Other investments	1,146,699	-	927,356	219,343
Loans and receivables, excluding insurance receivables	1,360,132	1,360,132	-	-
Insurance receivables	156,379	156,379	-	-
Cash and cash equivalents	294,459	294,459	-	-
	2,957,669	1,810,970	927,356	219,343
Company				
Other investments	893,580	-	883,580	10,000
Loans and receivables, excluding insurance receivables	101,911	101,911	-	-
Cash and cash equivalents	63,076	63,076	-	-
	1,058,567	164,987	883,580	10,000
Financial liabilities				
Group				
Provision for claims reported by policyholders	(704,706)	(704,706)	-	-
Finance lease liabilities	(899)	(899)	-	-
Insurance payables	(121,894)	(121,894)	-	-
Other payables	(110,817)	(110,817)	-	-
	(938,316)	(938,316)	-	-
Company				
Other payables	(1,198)	(1,198)	-	-

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net gains/ (losses) arising on:				
Designated as at FVOCI				
- recognised in other comprehensive income	**175,343**	-	**169,233**	-
- recognised in profit or loss	**29,089**	-	**28,063**	-
	204,432	-	**197,296**	-
Mandatory at FVTPL	**10,357**	-	**496**	-
Amortised cost	**57,618**	-	**5,876**	-
Available-for-sale				
- recognised in other comprehensive income	**-**	49,263	**-**	46,436
- reclassified from equity to profit or loss	**-**	(2,513)	**-**	(1,471)
- recognised in profit or loss	**-**	29,272	**-**	26,885
	-	76,022	**-**	71,850
Held-to-maturity	**-**	11,653	**-**	750
Loans and receivables	**-**	54,296	**-**	7,057
Financial liabilities measured at amortised cost	**(4)**	(3)	**-**	-
	272,403	141,968	**203,668**	79,657

33.3 Financial risk management

The Group and the Company are exposed to a variety of financial risks that includes credit risk, liquidity risk, market risk (currency risk, interest rate risk, price risk) and operational risk. The Group's and the Company's overall financial risk management objective is to ensure that the Group and the Company create value for its shareholders whilst minimising potential exposure to adverse effects on their financial performance and positions.

The Group and the Company are guided by risk management policies which set out the overall business strategies and the general risk management philosophy.

The Group and the Company have established internal processes to monitor the risks on an ongoing basis.

The policies and measures taken by the Group and the Company to manage these risks are as set out below.

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TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk

Credit risk is the risk of financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group's and the Company's primary exposure to credit risk arises through their investment in fixed income securities, receivables arising from sales of insurance policies, and obligations of reinsurers through reinsurance contracts.

(i) Management of credit risk

The Group and the Company have put in place credit policies and investment guidelines as a part of its overall credit risk management framework which includes the following:

- Evaluation of a debt instrument issuer's credit risk is undertaken by the Investment Unit of the Accounts and Finance Department. Monitoring of credit and concentration risk is carried out by the Accounts and Finance Department which reports to the Investment Committee and is supported by the Enterprise Risk Management Department.

- Cash and deposits in Malaysia are generally placed with banks and financial institutions licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013 which are regulated by Bank Negara Malaysia whereas cash and deposits in Singapore are generally placed with banks and financial institutions licensed under the Financial Advisers Act which are regulated by Monetary Authority of Singapore.

- Receivables arising from insurance and reinsurance contracts are monitored by the Credit Control Committee and Credit Control Unit of the Accounts and Finance Department to ensure adherence to the Group's and the Company's credit policy. As part of the overall risk management strategy, the Group cedes insurance risk through proportional and non-proportional treaties and facultative arrangement.

- The Group monitors the credit quality and financial conditions of its reinsurers on an ongoing basis and review its reinsurance arrangements periodically. The Group typically cedes business to reinsurers that have a good credit rating and concentration of risk is avoided by adhering to policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors. When selecting its reinsurers, the Group considers their relative financial security. The security of the reinsurer is assessed based on public rating information and annual reports.

- The Group's credit risk exposure to insurance receivables arises from business with their appointed agents, brokers and other intermediaries. The risk arises where these parties collect premiums from customers to be paid to the Group. The Group has policies to monitor credit risk from these receivables with a focus on day-to-day monitoring of the outstanding position by the credit control staff. The Group also has guidelines to evaluate intermediaries before their appointment as well as setting credit terms to these appointees.

- The Group and the Company use the ratings assigned by external rating agencies to assess the credit risk of debt securities, fixed and call deposits, reinsurance receivables and insurance receivables. The Group and the Company also develop and maintain an internal risk grading to categorise exposures according to the degree of risk of default when external credit ratings are not available.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(ii) Concentrations of credit risk

The Group and the Company manage individual exposures as well as concentration of credit risks:

(i) By issuer for investments in debt instruments; and

(ii) By financial institutions for cash and bank balances and fixed and call deposits.

At end of the reporting period, there was no significant concentration of credit risks, other than:

(i) investments in corporate bonds and sukuk issued by five issuers amounted to RM138,241,000 (2017: RM129,988,000) and RM10,136,000 (2017: RM10,000,000) for the Group and the Company respectively; and

(ii) bank balances and deposits placed with five banks amounted to RM847,633,000 (2017: RM767,835,000) and RM145,799,000 (2017: RM163,078,000) for the Group and the Company respectively.

(iii) Credit quality analysis

The following table presents an analysis of the credit quality of financial assets at FVTPL and amortised cost. The inputs, assumptions and techniques used for estimating the impairment are disclosed in Note 33.4(iv).

Financial assets

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2018						
FVTPL						
Corporate bonds and sukuk	-	101,166	34,738	-	-	135,904
Amortised cost						
Malaysian government guaranteed loans	40,033	-	-	-	-	40,033
Corporate bonds and sukuk	10,000	29,984	17,905	-	-	57,889
Loans and receivables, excluding insurance receivables	346,128	391,204	297,595	101,000	162,238	1,298,165
Insurance receivables	-	3,803	2,559	31	153,604	159,997
Cash and cash equivalents (excluding liquid investments)	65,921	34,022	143,465	10,000	10,716	264,124
	462,082	459,013	461,524	111,031	326,558	1,820,208

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33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2018						
FVTPL						
Corporate bonds and sukuk	-	10,136	-	-	-	10,136
Amortised cost						
Loans and receivables, excluding insurance receivables	40,000	-	74,000	-	2,280	116,280
Cash and cash equivalents	109	-	31,689	-	-	31,798
	40,109	-	105,689	-	2,280	148,078

Age analysis of insurance receivables past due

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

Group	<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
2018						
Insurance receivables	4,681	2,815	1,377	-	-	8,873

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Comparative information under MFRS 139

An analysis of the credit risk exposure of the Group by classifying assets according to reputable rating agencies' credit ratings of counterparties. AAA is the highest possible rating.

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2017						
Other investments:						
Held-to-maturity financial assets	45,055	134,992	39,296	-	-	219,343
Loans and receivables, excluding insurance receivables	352,930	377,768	336,553	83,000	209,881	1,360,132
Insurance receivables	-	10,667	13,164	-	132,548	156,379
Cash and cash equivalents (excluding liquid investments)	156,682	13,062	47,262	20,000	6,021	243,027
	554,667	536,489	436,275	103,000	348,450	1,978,881

Comparative information under MFRS 139

An analysis of the credit risk exposure of the Company by classifying assets according to reputable rating agencies' credit ratings of counterparties is as follows. AAA is the highest possible rating.

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2017						
Other investments:						
Held-to-maturity financial assets	-	10,000	-	-	-	10,000
Loans and receivables, excluding insurance receivables	84,100	-	16,000	-	1,811	101,911
Cash and cash equivalents	49,098	-	13,978	-	-	63,076
	133,198	10,000	29,978	-	1,811	174,987

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Comparative information under MFRS 139 (continued)

An analysis of the credit quality of the Group's financial assets that were neither past due nor impaired and the ageing of financial assets that were past due but not impaired as at 31 December 2017 is as follows.

Group	Neither past due nor impaired Investment Grade RM'000	 Non-rated RM'000	Past due but not impaired RM'000	Total RM'000
2017				
Other investments:				
Held-to-maturity financial assets	219,343	-	-	219,343
Loans and receivables, excluding insurance receivables	1,150,251	209,881	-	1,360,132
Insurance receivables	23,831	119,321	13,227	156,379
Cash and cash equivalents (excluding liquid investments)	237,006	6,021	-	243,027
	1,630,431	335,223	13,227	1,978,881

Age analysis of financial assets past due but not impaired

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

Group	<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
2017						
Insurance receivables	7,292	3,437	2,364	134	-	13,227

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Comparative information under MFRS 139 (continued)

Group	Neither past due nor impaired Investment Grade RM'000	 Non-rated RM'000	Past due but not impaired RM'000	Total RM'000
2017				
Other investments:				
Held-to-maturity financial assets	10,000	-	-	10,000
Loans and receivables, excluding insurance receivables	100,100	1,811	-	101,911
Cash and cash equivalents	63,076	-	-	63,076
	173,176	1,811	-	174,987

(iv) Amount arising from ECL

Allowance for impairment

The following tables show reconciliations from the opening balance to the closing balance of the allowance for impairment by class of financial instrument.

Group	/-------12-months ECL-------/ Corporate bonds and sukuk RM'000	 Due from reinsurers and cedants RM'000	Lifetime ECL Due premiums including agents and brokers and co-insurers RM'000	Total RM'000
2018				
At 1 January under MFRS 139	**-**	**-**	**38**	**38**
Changes on initial application of MFRS 9	**13**	**80**	**792**	**885**
At 1 January under MFRS 9	**13**	**80**	**830**	**923**
Net remeasurement of allowance for impairment	**9**	**21**	**1,264**	**1,294**
Bad debts written off against impairment allowance	**-**	**-**	**(38)**	**(38)**
Balance at 31 December	**22**	**101**	**2,056**	**2,179**

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iv) Amount arising from ECL (continued)

Allowance for impairment (continued)

Comparative information under MFRS 139

The Group records impairment allowance for insurance receivables in a separate allowance for impairment account. A reconciliation of the allowance for impairment for insurance receivables is as follows:

	Insurance receivables RM'000
Group	
2017	
At 1 January	7,640
Additional allowance during the year	485
Reversal of impairment loss	(3,400)
Bad debts written off against impairment allowance	(4,601)
Effect of movement in exchange rates	(86)
At 31 December	38

Inputs, assumptions and techniques used for estimating impairment

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

To determine lifetime and 12-month PDs, the Group and the Company use the PD table supplied by reputable rating agency based on the default history of obligors with the same credit rating. The Group and the Company adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. In addition, the Group and the Company also use the Bloomberg's Default Risk (DRSK) model to estimate the PD. Wherever applicable, additional forward-looking information is considered when determining PD, such as the Company's internal stress-testing of macroeconomic adverse scenarios. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iv) Amount arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

LGD is the magnitude of the likely loss if there is a default. The Group and the Company estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Wherever applicable and material, additional information is considered in determining LGDs, including structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Group and the Company derive the EAD from the current exposure to the counterparty and wherever applicable, potential changes to the current amount allowed under the contract, including early redemption and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group and the Company measure ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include:

- instrument type;
- credit risk gradings;
- line of business (for insurance receivables); and
- intermediaries (for reinsurance receivables).

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iv) Amount arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Definition of default

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held).

In assessing whether a borrower is in default, the Group and the Company consider indicators that are:

- qualitative: e.g. breaches of covenant and other indicators of financial distress;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group and the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's and the Company's experience, expert credit assessment and forward-looking information.

The Group and the Company primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with

- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Whenever available, the Group and the Company monitor changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group and the Company also perform a regular internal review on the creditworthiness of the counterparty based on the latest quantitative and qualitative data, together with available press and regulatory information about issuers.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iv) Amount arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

Where external credit ratings are not available, the Group and the Company allocate each exposure to an internal credit risk grade. The internal credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and benchmarked against external credit rating from reputable rating agencies.

The Group and the Company have assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Group and the Company consider a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The Group and the Company consider this to be BBB or higher based on credit ratings published by reputable rating agencies.

As a backstop, the Group and the Company consider that a significant increase in credit risk occurs no later than when an asset is more than 6 months past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined taking into consideration of the 3 months or 90 days credit terms that might be available to the counterparty.

The Group and the Company monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 6 months past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company may not have sufficient liquid financial resources to meet their obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Group's and the Company's policy is to maintain adequate liquidity to meet their liquidity needs under normal and stressed conditions.

(i) Management of liquidity risk

The following policies and procedures are in place to mitigate the Group's and the Company's exposure to liquidity risk:

- A Group and Company-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Group and the Company is established. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Group's and the Company's Risk Management and Compliance Committee ("RMCC") as soon as possible. The Group's and the Company's Investment Committee is the primary party responsible for liquidity management based on guidelines approved by the Board.

- There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contract obligations. As part of their liquidity management, the Group and the Company maintain sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans. The Group's and the Company's contingency funding plans include arranging credit line with banks and funding from the shareholders.

- The Group's and the Company's treaty reinsurance contract contains a "cash call" clause permitting the Group and the Company to make cash call on claim and receive immediate payment for a large loss without waiting for usual periodic payment procedures to occur.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.5 Liquidity risk (continued)

(ii) Maturity analysis

The table below summarises the maturity profile of the financial liabilities of the Group and of the Company based on remaining undiscounted contractual obligations, including interest/ profit payable.

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities.

Group	Carrying value RM'000	Contractual interest rate	Up to a year* RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Total RM'000
2018							
Provision for claims reported by policyholders	**880,144**	**-**	**616,770**	**220,209**	**34,847**	**8,318**	**880,144**
Insurance payables	**88,498**	**-**	**63,929**	**19,655**	**4,914**	**-**	**88,498**
Other payables	**107,112**	**-**	**81,032**	**23,954**	**1,787**	**339**	**107,112**
Total liabilities	**1,075,754**		**761,731**	**263,818**	**41,548**	**8,657**	**1,075,754**
2017							
Provision for claims reported by policyholders	704,706	-	462,632	201,617	33,812	6,645	704,706
Finance lease liabilities	899	3.5%	203	406	384	-	993
Insurance payables	121,894	-	87,498	19,655	14,741	-	121,894
Other payables	110,817	-	80,701	27,121	2,980	15	110,817
Total liabilities	938,316		631,034	248,799	51,917	6,660	938,410

* expected utilisation or settlement is within 12 months from the reporting date.

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33. FINANCIAL INSTRUMENTS (CONTINUED)

33.5 Liquidity risk (continued)

(ii) Maturity analysis (continued)

Company	Carrying value RM'000	Up to a year* RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Total RM'000
2018						
Other payables	**1,163**	**1,163**	**-**	**-**	**-**	**1,163**
2017						
Other payables	1,198	1,198	-	-	-	1,198

* expected utilisation or settlement is within 12 months from the reporting date.

33.6 Market risk

Management of market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rates/ profit yield risk) and market prices (price risk).

The key features of the Group's and the Company's market risk management practices and policies are as follows:

- A Group and Company-wide market-risk policy setting out the evaluation and determination of what constitutes market risk for the Group and the Company is put in place. Compliance with the policy is monitored and reported monthly to the Investment Committee.

- The Group and the Company have policies and limits to manage market risk. The market risk is managed through portfolio diversification and changes in asset allocation. The Group's and the Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Group's and the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.7 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

(i) Exposure to foreign currency risk

The Group and the Company face foreign currency risk, primarily because of their operations in Singapore (Branch) and some of their cash and deposits are held in USD. Consequently, the Group and the Company are exposed to risks that the exchange rate relative to other foreign currencies may affect the value of the Group's and the Company's assets or liabilities denominated in currencies other than the functional currency of the Group entities.

Foreign exchange transaction risk impacting the Group's and the Company's profit or loss arises both from external investing activities and intra-company operating activities. Currency risk relating to investing and operating activities in the normal course of business are generally not hedged.

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	Malaysian Ringgit RM'000	US Dollar RM'000	Total RM'000
2018			
Malaysian operation			
Investment in an associated company	**-**	**31,564**	**31,564**
Cash and cash equivalents	**-**	**2,105**	**2,105**
	-	**33,669**	**33,669**
Singapore operation			
Fair value through other comprehensive income	**32,832**	**-**	**32,832**
Cash and cash equivalents	**4,559**	**820**	**5,379**
	37,391	**820**	**38,211**
2017			
Malaysian operation			
Investment in an associated company	-	26,877	26,877
Cash and cash equivalents	-	716	716
	-	27,593	27,593
Singapore operation			
Available-for-sale financial assets	27,555	-	27,555
Cash and cash equivalents	6,094	-	6,094
	33,649	-	33,649

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.7 Currency risk (continued)

(i) Exposure to foreign currency risk (continued)

Company	US Dollar RM'000
2018	
Investment in an associated company	**10,833**
2017	
Investment in an associated company	10,833

(ii) Sensitivity analysis

The Group's and Company's exposure to currency risk is immaterial in the context of the financial statements and hence, sensitivity analysis is not presented.

33.8 Interest rate/ Profit yield risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates/ profit yield.

(i) Exposure to interest rate/ profit yield risk

The Group and the Company are exposed to interest rate risk primarily through their investments in fixed income securities and deposit placements. Interest rate risk is managed by the Group and the Company on an ongoing basis.

The Group and the Company have no significant concentration of interest rate/ profit yield risk.

(ii) Sensitivity analysis

The impact on profit before tax at +/- 25 basis points change in the interest rate, with all other variables held constant, is insignificant to the Group and the Company given that they have minimal floating rate financial instruments. Most of the Group's and the Company's fixed income securities and deposit placements are short-term in nature and are intended to be held-to-maturity. Hence, sensitivity analysis is not presented.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.9 Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/ profit yield risk or currency risk), regardless whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

(i) Exposure to price risk

The Group and the Company are exposed to price risk arising from investments held by the Group and the Company and classified in the statement of financial position as FVOCI and FVTPL financial assets (2017: available-for-sale) that comprise quoted equities, unit trusts, REITs and ETF.

(ii) Sensitivity analysis

The analysis below is performed for reasonably possible movements in market price with all other variables held constant, showing the impact on statements of profit or loss and other comprehensive income and changes in equity (due to changes in fair value of FVOCI and FVTPL financial assets (2017: available-for-sale)).

		2018		2017	
	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Group					
Market price	**+10%**	**-**	**86,146**	-	70,461
Market price	**-10%**	**-**	**(86,146)**	-	(70,461)
Company					
Market price	**+10%**	**-**	**80,014**	-	67,152
Market price	**-10%**	**-**	**(80,014)**	-	(67,152)

* Impact on equity reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

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TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.10 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, systems or unexpected external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group and the Company cannot expect to eliminate all operational risks but mitigate them by establishing a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit. Business risk, such as changes in environment, technology and the industry are monitored through the Group's and the Company's strategic planning and budgeting process.

The Group's and the Company's risk taking units (Business Development/ Technical/ Support Divisions) are primarily responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. They are responsible for putting in place and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Group's and the Company's operational risk management framework and oversight by the Enterprise Risk Management Department, Risk Management and Compliance Committee and the Board.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.11 Fair value information

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

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 statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2018										
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	1,090,899	-	-	1,090,899	-	-	-	-	1,090,899	1,090,899
Mandatory at fair value through profit or loss										
- Unit trust	36,009	-	-	36,009	-	-	-	-	36,009	36,009
- Real estate investment trusts ("REITs")	2,365	-	-	2,365	-	-	-	-	2,365	2,365
- Exchange-traded fund ("ETF")	590	-	-	590	-	-	-	-	590	590
- Quoted shares	3,635	-	-	3,635	-	-	-	-	3,635	3,635
- Unquoted shares	-	-	1,328	1,328	-	-	-	-	1,328	1,328
- Corporate bonds and sukuk	-	135,904	-	135,904	-	-	-	-	135,904	135,904
Amortised cost										
- Malaysian government guaranteed loans	-	-	-	-	-	40,420	-	40,420	40,420	40,033
- Corporate bonds and sukuk	-	-	-	-	-	58,001	-	58,001	58,001	57,889
	1,133,498	135,904	1,328	1,270,730	-	98,421	-	98,421	1,369,151	1,368,652

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TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.11 Fair value information (continued)

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2017										
Financial assets										
Available-for-sale										
- Unit trust	5,976	-	-	5,976	-	-	-	-	5,976	5,976
- Real estate investment trusts ("REITs")	978	-	-	978	-	-	-	-	978	978
- Exchange-traded fund ("ETF")	631	-	-	631	-	-	-	-	631	631
- Quoted shares	919,536	-	-	919,536	-	-	-	-	919,536	919,536
Held-to-maturity										
- Malaysian government guaranteed loans	-	-	-	-	-	40,344	-	40,344	40,344	40,055
- Corporate bonds and sukuk	-	-	-	-	-	181,862	-	181,862	181,862	179,288
	927,121	-	-	927,121	-	222,206	-	222,206	1,149,327	1,146,464
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(899)	(899)	(899)	(899)

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.11 Fair value information (continued)

Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2018										
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	**1,052,813**	**-**	**-**	**1,052,813**	**-**	**-**	**-**	**-**	**1,052,813**	**1,052,813**
Mandatory at fair value through profit or loss										
- Corporate bonds and sukuk	**-**	**10,136**	**-**	**10,136**	**-**	**-**	**-**	**-**	**10,136**	**10,136**
	1,052,813	**10,136**	**-**	**1,062,949**	**-**	**-**	**-**	**-**	**1,062,949**	**1,062,949**
2017										
Financial assets										
Available-for-sale										
- Quoted shares	883,580	-	-	883,580	-	-	-	-	883,580	883,580
Held-to-maturity										
- Corporate bonds and sukuk	-	-	-	-	-	10,390	-	10,390	10,390	10,000
	883,580	-	-	883,580	-	10,390	-	10,390	893,970	893,580

NOTES
TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.11 Fair value information (continued)

Level 1 and Level 2 fair values

The valuation techniques and inputs used in determining the fair values of the financial assets is disclosed in Note 7(f).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

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

	Group	
	2018 RM'000	2017 RM'000
Unquoted shares		
As at 1 January	**235**	235
Changes on initial application of MFRS 9	**1,080**	-
	1,315	235
Fair value gains in profit or loss	**13**	-
Balance as at 31 December	**1,328**	235

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted shares	The fair value is determined to approximate the net assets value of the investee as it is immaterial in the context of the financial statements.	Net assets value	The higher the value of net assets the higher the fair value.

34. REGULATORY CAPITAL REQUIREMENTS

The Group's and the Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The subsidiary of the Company, Lonpac Insurance Bhd ("Lonpac") is required to comply with the regulatory capital requirement prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework guidelines issued by Bank Negara Malaysia, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. As at year end, Lonpac has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of Lonpac as at 31 December 2018, as prescribed under the RBC Framework is provided below:

	2018 RM'000	2017 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	**200,000**	200,000
Retained earnings	**667,507**	590,220
	867,507	790,220
Tier 2 Capital		
Eligible reserves	**47,711**	44,032
Total capital available	**915,218**	834,252

35. SIGNIFICANT RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The related parties of the Group and of the Company are:

(i) Subsidiary

Details of the subsidiary are shown in Note 5.

(ii) Associated company

An associated company is a company in which the Group holds an interest of between 20% to 50% and can exercise significant influence, but not control, over its financial and operating policies. Details of the associated company are disclosed in Note 6.

NOTES
TO THE FINANCIAL STATEMENTS

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(iii) Key management personnel

Key management personnel includes the Company's and subsidiary's Executive and Non-Executive Directors and are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or Company either directly or indirectly. Compensation of key management personnel are disclosed in Note 27.

(iv) Companies in which a Director has substantial financial interest

These are entities in which significant voting power in such entities resides directly or indirectly, with a Director of the Company.

Significant related parties transactions and balances

(a) The significant related party transactions of the Group and of the Company, other than key management personnel compensation, are as follows:

Group	Associated Company		Companies in which a Director has substantial financial interest	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income earned:				
Premium income	**455**	626	**33,408**	33,036
Dividend income	**-**	-	**29,479**	26,122
Fixed deposits income	**-**	-	**5,642**	4,989
Corporate bonds and sukuk income	**-**	-	**3,306**	3,471
Information technology services	**34**	2	**-**	-
	489	628	**71,835**	67,618
Expenditure incurred:				
Rental paid	**-**	-	**(2,915)**	(2,926)
Insurance commission	**(96)**	(111)	**(50,678)**	(45,815)
Stock broking commission	**-**	-	**(4)**	(92)
Corporate advisory fees	**-**	-	**(86)**	-
	(96)	(111)	**(53,683)**	(48,833)
Other transaction:				
Purchase of corporate bonds and sukuk	**-**	-	**(10,000)**	(20,000)

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related parties transactions and balances (continued)

Company	Note	Subsidiary 2018 RM'000	Subsidiary 2017 RM'000	Companies in which a Director has substantial financial interest 2018 RM'000	Companies in which a Director has substantial financial interest 2017 RM'000
Income earned:					
Dividend income	20	**210,000**	170,000	**28,063**	25,087
Fixed deposits income		**-**	-	**356**	1,461
Corporate bonds and sukuk income		**-**	-	**750**	750
Secretarial fees		**-**	59	**-**	-
		210,000	170,059	**29,169**	27,298
Expenditure incurred:					
Premium paid		**(20)**	(10)	**-**	-
Stock broking commission		**-**	-	**-**	(57)
Management fees		**(420)**	(411)	**-**	-
Corporate advisory fees		**-**	-	**(86)**	-
		(440)	(421)	**(86)**	(57)

(b) The significant outstanding balances of the Group and of the Company as at 31 December with its related parties are as follows:

	2018 RM'000	2017 RM'000
Group		
Balances with related parties:		
Placements in fixed and call deposits	**88,097**	125,970
Bank balances	**12,937**	9,425
Corporate bonds and sukuk	**55,512**	55,000
	156,546	190,395
Company		
Balances with related parties:		
Bank balances	**109**	97
Corporate bonds and sukuk	**10,136**	10,000
	10,245	10,097

NOTES
TO THE FINANCIAL STATEMENTS

36. OPERATING LEASE COMMITMENTS

Leases as lessee

At 31 December 2018, the insurance subsidiary has commitments for future minimum lease payments under non-cancellable operating lease as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Less than one year	**6,035**	7,202
Between one and five years	**7,808**	10,839
	13,843	18,041

Leases as lessor

The insurance subsidiary leases out its investment properties (see Note 4). The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Less than one year	**492**	807
Between one and five years	**359**	77
	851	884

37. CAPITAL AND OTHER COMMITMENTS

	Group	
	2018 RM'000	**2017 RM'000**
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	**10,979**	11,724

38. CONTINGENT LIABILITIES

On 22 February 2017, the Company's wholly-owned subsidiary, Lonpac Insurance Bhd ("Lonpac") received a Notice of Proposed Decision ("Proposed Decision") by the Malaysia Competition Commission ("MyCC") under Section 36 of the Competition Act 2010 ("the Act").

MyCC informed that pursuant to its investigation, the commission on the preliminary basis finds that Lonpac together with the other 21 members of Persatuan Insurans Am Malaysia ("PIAM") have infringed the prohibition under Section 4(2)(a) of the Act for fixing parts trade discounts and labour rates for repair workshops and are therefore liable for an infringement under Section 4(3) of the Act.

MyCC has also proposed to impose a financial penalty of RM8,301,445 on Lonpac for the alleged infringement. The Proposed Decision is not final as at the date of this report, and Lonpac in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the Act.

Saved as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date.

39. CHANGES IN ACCOUNTING POLICIES

MFRS 9, *Financial Instruments*

The Group and the Company has adopted MFRS 9, *Financial Instruments* issued in July 2014 with a date of initial application on 1 January 2018.

The key changes to the Group's and the Company's accounting policies resulting from its adoption of MFRS 9 are summarised below.

(i) Classification of financial assets and financial liabilities

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

NOTES
TO THE FINANCIAL STATEMENTS

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

MFRS 9 eliminates the previous MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for Sale ("AFS") financial assets.

For an explanation of how the Group and the Company classify and measure financial assets and account for related gains and losses under MFRS 9, see Note 2(e)(ii).

MFRS 9 has not had a significant effect on the Group's and the Company's accounting policies for financial liabilities.

(ii) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost and debt instruments at FVOCI. Under MFRS 9, credit losses are recognised earlier than under MFRS 139. See Note 2(f)(i).

(iii) Transition upon the adoption of MFRS 9

Changes in accounting policies resulting from the adoption of MFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as of 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented for 2018 under MFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading at FVOCI.

- If a debt security had low credit risk at the date of initial application of MFRS 9, then the Group and the Company have assumed that credit risk on the asset had not increased significantly since its initial recognition.

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iii) Transition upon the adoption of MFRS 9 (continued)

The adoption of MFRS 9 has not had a material impact on the Group's and the Company's basic earnings per share for the years ended 31 December 2018 and 2017. Details of the changes and implications resulting from the adoption of MFRS 9 are presented in (iv).

(iv) Effect of initial application

(1) Classification of financial assets and financial liabilities

The following table and the accompanying notes below shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's and the Company's financial assets as at 1 January 2018.

	Note	Original classification under MFRS 139	Original carrying amount RM'000	New classification under MFRS 9	New carrying amount RM'000
Group					
Financial assets					
Investment in equity instruments not held for trading	*(a)*	AFS	**915,544**	FVOCI (designated)	**915,544**
Other investments	*(b)*	AFS	**11,812**	FVTPL (mandatory)	**12,892**
Investment in debt securities	*(c)*	HTM	**138,153**	FVTPL (mandatory)	**140,898**
Investment in debt securities	*(c)*	HTM	**81,190**	AC	**81,177**
Loans and receivables, excluding insurance receivables		L&R	**1,360,132**	AC	**1,360,132**
Insurance receivables		L&R	**156,379**	AC	**155,507**
Cash and cash equivalents		L&R	**243,027**	AC	**243,027**
Liquid investments classified as cash and cash equivalents	*(d)*	L&R	**51,432**	FVTPL (mandatory)	**51,432**
			2,957,669		**2,960,609**

NOTES
TO THE FINANCIAL STATEMENTS

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities (continued)

	Note	Original classification under MFRS 139	Original carrying amount RM'000	New classification under MFRS 9	New carrying amount RM'000
Company					
Financial assets					
Investment in equity instruments not held for trading	(a)	AFS	**883,580**	FVOCI (designated)	**883,580**
Investment in debt securities	(c)	HTM	**10,000**	FVTPL (mandatory)	**10,390**
Loans and receivables, excluding insurance receivables		L&R	**101,911**	AC	**101,911**
Cash and cash equivalents		L&R	**63,076**	AC	**63,076**
			1,058,567		**1,058,957**

The Group's and the Company's accounting policies on the classification of financial instruments under MFRS 9 are set out in Note 2(e)(ii).

The application of these policies resulted in the reclassifications set out in the table above and explained below.

(a) Equity investments were designated as available-for-sale under MFRS 139. Under MFRS 9, these assets are mandatory measured at FVTPL because they do not give rise to cash flows that are solely payments of principal and interest. On the adoption of MFRS 9, the Group and the Company have elected to designate these equity investments not held for trading purpose to be measured at FVOCI.

(b) Unit trust, real estate investment trusts ("REITs"), exchange-traded fund ("ETF"), equity securities (other than equity investments mentioned in (a) above) were classified as available-for-sale. On the adoption of MFRS 9, these assets meet the criteria for mandatory measurement at FVTPL because the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding.

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities (continued)

(c) Debt securities with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity were classified as held-to-maturity before the adoption of MFRS 9. The Group and the Company consider that under MFRS 9 these securities are held within a business model whose objective is achieved by collecting contractual cash flows. The contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at amortised cost and subject to impairment test under MFRS 9 with "expected credit loss" model.

Debt securities with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity were classified as held-to-maturity before the adoption of MFRS 9. On the adoption of MFRS 9, these debt securities meet the criteria for mandatory measurement of FVTPL where the contractual cash flows are not solely payments of principal and interest on the principal outstanding.

(d) Liquid investments were classified as loans and receivables under MFRS 139. On the adoption of MFRS 9, the liquid investments meet the criteria for mandatory measurement of FVTPL because the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding.

NOTES
TO THE FINANCIAL STATEMENTS

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities (continued)

The following table reconciles the carrying amounts of financial assets under MFRS 139 to the carrying amounts under MFRS 9 on the transition to MFRS 9 on 1 January 2018.

			1 January 2018 Reclassification to new MFRS 9 category		
Group Category under MFRS 139	**31 December 2017 RM'000**	**Remeasurement RM'000**	**FVTPL RM'000**	**FVOCI RM'000**	**AC RM'000**
Financial assets					
Available-for-sale					
Investment in equity instruments not held for trading	915,544	-	-	915,544	-
Other investments	11,812	1,080	12,892	-	-
	927,356	1,080	12,892	915,544	-
Held-to-maturity					
Investment in debt securities	219,343	2,732	140,898	-	81,177
Loans and receivables					
Loans and receivables, excluding insurance receivables	1,360,132	-	-	-	1,360,132
Insurance receivables	156,379	(872)	-	-	155,507
Cash and cash equivalents	243,027	-	-	-	243,027
Liquid investments classified as cash and cash equivalents	51,432	-	51,432	-	-
	1,810,970	(872)	51,432	-	1,758,666

The Directors regard the liquid investments as cash and cash equivalents in view of their high liquidity and insignificant changes in fair value.

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities (continued)

Company Category under MFRS 139	31 December 2017 RM'000	1 January 2018 Remeasurement RM'000	Reclassification to new MFRS 9 category FVTPL RM'000	FVOCI RM'000	AC RM'000
Financial assets					
Available-for-sale					
Investment in equity instruments not held for trading	883,580	-	-	883,580	-
Held-to-maturity					
Investment in debt securities	10,000	390	10,390	-	-
Loans and receivables					
Loans and receivables, excluding insurance receivables	101,911	-	-	-	101,911
Cash and cash equivalents	63,076	-	-	-	63,076
	164,987	-	-	-	164,987

Financial liabilities

There were no changes to the Group's and the Company's classification and measurement of the financial liabilities on the adoption of MFRS 9.

NOTES
TO THE FINANCIAL STATEMENTS

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(2) Impairment of financial assets

The following table reconciles:

- The closing impairment allowance for financial assets in accordance with MFRS 139 as at 31 December 2017; to
- The opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

Group	MFRS 139 allowance at 31.12.2017 RM'000	Remeasurement RM'000	MFRS 9 allowance at 1.1.2018 RM'000
Held-to-maturity			
Investment in debt securities under MFRS 139 reclassified to amortised cost under MFRS 9	-	13	**13**
Insurance receivables measured at amortised cost under MFRS 139 and MFRS 9	38	872	**910**
	38	885	**923**

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(3) Effect on fair value reserve and retained earnings

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening fair value reserve and retained earnings. There is no impact on other components of equity.

Impact of adopting MFRS 9 at 1.1.2018	Group RM'000	Company RM'000
Fair value reserve		
Closing balance under MFRS 139 at 31 December 2017	760,426	632,520
Reclassification of fair value reserve to retained earnings for financial assets reclassified from AFS to FVTPL	(2,102)	-
Deferred tax liabilities	430	-
Opening balance under MFRS 9 at 1 January 2018	758,754	632,520
Retained earnings		
Closing balance under MFRS 139 at 31 December 2017	799,964	297,230
Reclassification from fair value reserve for financial assets reclassified from AFS to FVTPL	2,102	-
Recognition of fair value gains for unquoted shares reclassified from AFS to FVTPL	1,080	-
Deferred tax liabilities	(689)	-
Impact at 1 January 2018	2,493	-
Recognition of fair value gains for financial assets reclassified from HTM to FVTPL	2,745	390
Deferred tax liabilities	(571)	-
Impact at 1 January 2018	2,174	390
Recognition of expected credit losses under MFRS 9	(885)	-
Deferred tax assets	211	-
Impact at 1 January 2018	(674)	-
Opening balance under MFRS 9 at 1 January 2018	803,957	297,620

NOTES
TO THE FINANCIAL STATEMENTS

40. COMPARATIVES

The Group has disaggregated the comparative impairment loss (recognised under MFRS 139, *Financial Instruments*: *Recognition and Measurement*) from 'management expenses' as a result of consequential changes made to MFRS 101, *Presentation of Financial Statements* to conform to current year presentation.

Statement of profit or loss for year ended 31 December 2017

Group	As originally presented RM'000	Reclassification RM'000	Restated RM'000
Net reversal of impairment loss on insurance receivables	-	2,915	2,915
Management expenses	(177,819)	(2,915)	(180,734)

STATEMENT
BY DIRECTORS
pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 152 to 279 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tee Choon Yeow
Director

Tan Kok Guan
Director

Date: 29 January 2019

STATUTORY
DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Tan Kok Guan**, the Director primarily responsible for the financial management of LPI Capital Bhd, do solemnly and sincerely declare that the financial statements set out on pages 152 to 279 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Tan Kok Guan, 560404-07-5363, in Kuala Lumpur on 29 January 2019.

Tan Kok Guan

Before me:

Commissioner for Oaths

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LPI Capital Bhd, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 152 to 279.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of general insurance contract liabilities
Refer to Note 2(n) and Note 13 to the financial statements

The key audit matter	How the matter was addressed in our audit
The insurance contract liabilities representing 89% of total liabilities are made up of claims liabilities which comprise of premium liabilities which are provision for unearned premiums and provision for claims reported by policyholders and incurred but not reported ("IBNR") claims as further explained in Note 2(m) and 2(n). **Claims liabilities** Due to the level of subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain especially in claims which require long duration until settlement particularly in Motor business, valuation of claims liabilities is a key judgmental area where our audit is concentrated on. Judgement is further required in determining the assumptions used in estimation of claims incurred but not yet reported at the end of the reporting period. The estimation of claims incurred but not yet reported at the end of the reporting period involves a range of standard actuarial claims projection techniques which rely on assumptions such as past claims development experience, qualitative judgement on external factors such as economic conditions, levels of claims inflation, judicial decisions and legislation and internal factors such as portfolio mix, policy features and claims handling procedures. A small change in the assumptions may have significant effect on the claims liabilities. **Premium liabilities** Estimation of premium liabilities involves judgement in the identification of best estimate value of Unexpired Risk Reserve at the required risk margin for adverse deviation. In determining the Unexpired Risk Reserve, the calculation used current estimates of future contractual cash flows in consideration of the current loss ratios for policies in-force as at the year-end after taking into account of investment return expected to arise on assets that support these claims liabilities.	Our audit procedures included, among others: • Evaluated and tested the key controls around reserving process, including controls over the completeness and accuracy of the data that support key reserving calculations. This includes performing control tests and/ or test of details on sample basis over the claims reserves, claims paid and insurance policies issued by the Group to source documents to ascertain the quality and accuracy of the underlying data. • Assessed the appropriateness of the valuation methods of outstanding claims and Unexpired Risk Reserve ("URR") against the requirements of Risk-Based Capital ("RBC") Framework as issued by Bank Negara Malaysia ("BNM"). • Assessed and challenged the appropriateness of development factors assumptions used in the calculation of IBNR by reference to the Group's and industry historical data, compared actual and expected experience and high level re-projection of claims liabilities for selected class of business with the support of our own actuarial specialist. • Performed tests on the Unexpired Premium Reserve ("UPR") calculation produced by management and compared the UPR against the URR to ascertain if adequate reserve have been established. • Assessed and challenged the appropriateness of loss ratios assumptions used in the calculation of URR by reference to the Group's and industry historical data with the support of our own actuarial specialist. • Assessed the adequacy of the Group's disclosures in relation to insurance liabilities including historical claims development and sensitivity analysis of claims liabilities on movement in key assumptions of the estimation.

Adoption of MFRS 9, Financial instruments Refer to Note 2(e) and Note 39 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
The Group and the Company have adopted MFRS 9 effective on 1 January 2018. There are assumptions, judgement and estimation uncertainties being involved in determining the classification, measurement and impairment of financial assets. MFRS 9 also introduces new disclosures requirements for classification, measurement and impairment of financial assets that are applicable to the financial statements of the Group and the Company. Upon adoption of MFRS 9, the Group and the Company measured their investments in unquoted debt securities of RM135,904,000 and RM10,136,000 respectively at fair value through profit or loss. The Group and the Company relied on an external bond pricing agency and/or financial institutions to obtain quotes to value these investments. Significant efforts are required to determine the appropriateness of the valuation of the unquoted debt securities as the up to date transaction prices are not readily available due to low trading volume.	Our audit procedures included, among others: • Assessed the completeness, accuracy and relevance of data used in preparing the transition adjustments. • Evaluated the reasonableness of management's key judgements and estimates made in adopting MFRS 9, including selection of methods, models, assumptions and data sources over classification and measurement decisions. • Assessed the completeness, accuracy and relevance of disclosures required by MFRS 7. • Performed independent price checks with the support of KPMG valuation specialist using various sources of external quotes and compared against the Group's prices that were used to value these unquoted investments.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Ooi Eng Siong
Approval Number: 03240/ 02/ 2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 29 January 2019

BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):

(i) Utilisation of Proceeds Raised from Corporate Proposals

There was no corporate proposal during the financial year ended 31 December 2018.

Disclosed in accordance with Appendix 9C, Part A, item 13 of the Listing Requirements of Bursa Securities.

(ii) Audit and Non-audit Fees

The details of the statutory audit, audit-related and non-audit fees paid/ payable in 2018 to the external auditors and its affiliates are set out below:

	Company RM'000	Group RM'000
Fees paid/ payable to Messrs KPMG PLT ("KPMG") and its affiliates		
• Audit services		
- KPMG	**90**	**402**
- Overseas affiliates of KPMG	**-**	**392**
• Non-audit services		
- KPMG *	**6**	**105**
- Local affiliates of KPMG **	**6**	**31**
- Overseas affiliates of KPMG ***	**-**	**113**
Total	**102**	**1,043**

* The non-audit services fees paid/ payable to KPMG were for the interim review of the subsidiary company for 6 months ended 30 June 2018, review of Statement on Risk Management and Internal Control and other services. The provision of these services by the external auditors to LPI Group were cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity.

** The non-audit services fees paid/ payable to local affiliates of KPMG were for advice on taxation matters and for preparation, review and submission of tax returns.

*** The non-audit services fees paid/ payable to overseas affiliates of KPMG were for review of Goods and Services Tax audit, advice on taxation matters and for preparation, review and submission of tax returns.

Disclosed in accordance with Appendix 9C, Part A, item 18 of the Listing Requirements of Bursa Securities.

BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS COMPLIANCE INFORMATION

(iii) Material Contracts

There were no material contracts entered into by the LPI Group involving directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

Disclosed in accordance with Appendix 9C, Part A, item 21 of the Listing Requirements of Bursa Securities.

(iv) Recurrent Related Party Transactions

LPI did not seek any mandate from its shareholders as required under Paragraph 10.09(2)(b), Part E of Chapter 10 of the Listing Requirements of Bursa Securities as the recurrent related party transactions of a revenue or trading nature entered into by LPI Group qualified as exempted transactions as defined under Paragraph 10.08(11)(e), Part E of Chapter 10 of the Listing Requirements of Bursa Securities.

Disclosed in accordance with Paragraph 10.09(2)(b), Part E of Chapter 10 of the Listing Requirements of Bursa Securities.

ANALYSIS OF **SHAREHOLDINGS**

as at 22 January 2019

Issued and fully paid-up share capital	RM398,382,753
Class of shares	Ordinary shares
Voting rights	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

	Shareholders				No. of Shares Held			
	Malaysia		Foreign		Malaysia		Foreign	
Size of Shareholdings	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Less than 100 shares	749	9.28	10	0.12	8,889	*1	141	*1
100 – 1,000 shares	2,057	25.47	28	0.35	963,321	0.24	12,185	*1
1,001 – 10,000 shares	3,727	46.16	79	0.98	13,095,912	3.29	377,665	0.10
10,001 – 100,000 shares	1,147	14.20	90	1.11	31,651,482	7.94	2,764,759	0.70
100,001 to 19,919,136 (less than 5% of issued shares)	167	2.07	19	0.24	137,857,095	34.61	10,448,744	2.62
19,919,137 (5% of issued shares) and above	1	0.01	1	0.01	170,274,240	42.74	30,928,320	7.76
Total	7,848	97.19	227	2.81	353,850,939	88.82	44,531,814	11.18
Grand Total	8,075 (100%)				398,382,753 (100%)			

Note:

*1 *Less than 0.01%.*

ANALYSIS OF SHAREHOLDINGS

as at 22 January 2019

TOP THIRTY SECURITIES ACCOUNT HOLDERS BASED ON RECORD OF DEPOSITORS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name of Shareholders	No. of Shares Held	% of Issued Shares
1.	Consolidated Teh Holdings Sdn Berhad	170,274,240	42.74
2.	Sompo Japan Nipponkoa Insurance Inc	30,928,320	7.76
3.	Public Invest Nominees (Tempatan) Sdn Bhd Public Bank Group Officers' Retirement Benefits Fund	18,765,504	4.71
4.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	14,623,008	3.67
5.	AmanahRaya Trustees Berhad Public Savings Fund	6,162,396	1.55
6.	Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41
7.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Consolidated Chan Realty Sdn.Bhd (E-KUG)	4,892,680	1.23
8.	AmanahRaya Trustees Berhad Public Index Fund	3,981,312	1.00
9.	Teo Ah Khiang @ Chiang Kee Foon	3,481,920	0.87
10.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	3,342,180	0.84
11.	AmanahRaya Trustees Berhad Public Growth Fund	3,335,496	0.84
12.	AmanahRaya Trustees Berhad ASN Umbrella for ASN Equity 3	3,267,580	0.82
13.	Sompo Japan Nipponkoa Insurance Inc	3,096,000	0.78
14.	Tunku Zahrah Binti Tunku Osman	3,081,600	0.77
15.	GHS Strategic Holdings Sdn Bhd	2,607,000	0.65
16.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Ang Beng Poh	2,520,000	0.63
17.	AmanahRaya Trustees Berhad Public Equity Fund	2,502,984	0.63
18.	AmanahRaya Trustees Berhad ASN Umbrella for ASN Imbang (Mixed Asset Balanced) 2	2,425,680	0.61
19.	AmanahRaya Trustees Berhad Public Dividend Select Fund	2,210,460	0.55
20.	Seah Heng Lye	2,175,000	0.55

	Name of Shareholders	No. of Shares Held	% of Issued Shares
21.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Chin Guan	2,140,000	0.54
22.	CIMB Commerce Trustee Berhad Public Focus Select Fund	1,791,936	0.45
23.	Olive Lim Swee Lian	1,394,600	0.35
24.	AmanahRaya Trustees Berhad Public Sector Select Fund	1,393,392	0.35
25.	Teh Moh Lee	1,366,200	0.34
26.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Beng Poh (WHH Corporation)	1,255,680	0.32
27.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Beng Poh (BMM)	1,250,000	0.31
28.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for RBC Investor Services Trust (Clients Account)	1,200,900	0.30
29.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	1,192,100	0.30
30.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Tee Choon Yeow (PBCL-0G0390)	1,152,000	0.29
	Total	303,431,928	76.16

ANALYSIS OF SHAREHOLDINGS

as at 22 January 2019

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest		Total Interest	
Name of Shareholders	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1. Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41%	170,418,240 *1	42.78%	176,040,000	44.19%
2. Consolidated Teh Holdings Sdn Berhad	170,274,240	42.74%	-	-	170,274,240	42.74%
3. Sompo Japan Nipponkoa Insurance Inc	34,024,320	8.54%	-	-	34,024,320	8.54%

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest		Total Interest	
Name of Directors	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1. Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41%	170,418,240 *1	42.78%	176,040,000	44.19%
2. Mr. Tee Choon Yeow	1,152,000	0.29%	-	-	1,152,000	0.29%
3. Mr. Tan Kok Guan	-	-	630,000 *2	0.16%	630,000	0.16%
4. Mr. Lee Chin Guan	2,500,000	0.63%	-	-	2,500,000	0.63%
5. Mr. Quah Poh Keat	-	-	-	-	-	-
6. Ms. Chan Kwai Hoe	-	-	-	-	-	-
7. Ms. Soo Chow Lai	-	-	-	-	-	-

Note:

*1 *Deemed interest held by:*
(i) other corporations by virtue of Section 8(4) of the Companies Act 2016; and
(ii) person(s) connected as defined per Section 197 of the Companies Act 2016 and by virtue of Section 59(11)(c) of the Companies Act 2016.

*2 *Deemed interest held by person(s) connected as defined per Section 197 of the Companies Act 2016 and by virtue of Section 59(11)(c) of the Companies Act 2016.*

ISSUED AND PAID-UP
SHARE CAPITAL

The issued and paid-up share capital as at 22 January 2019 is RM398,382,753. The changes in the issued and paid-up share capital are as follows:

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital(RM)
04.10.1962	2	Subscribers' Shares	2
28.03.1963	999,998	Allotment of Shares to Essex Securities Ltd and Montreal Trust Company	1,000,000
28.06.1972	2,000,000	Bonus Issue 1:2 of 500,000 ordinary shares of RM1.00 each and Allotment of 1,500,000 ordinary shares of RM1.00 each to Kuala Lumpur Holdings Sdn. Berhad, Far Eastern Oriental Sdn. Berhad and Mr. Fred Eu Keng Fai	3,000,000
30.12.1972	3,000,000	Allotment of ordinary shares of RM1.00 each to Wei Woo Estates & Investment Limited, Hong Kong, in exchange of 6,000,000 shares of HK$1.00 each in Wei Woo Estates & Investment Limited	6,000,000
18.01.1973	2,000,000	Rights Issue 1:3 at RM1.00	8,000,000
10.06.1980	6,000,000	Allotment of 7 1/2% Convertible Preference Shares of RM0.50 each to Selected Holdings Sdn. Berhad	11,000,000
29.10.1992	8,800,000	Capitalisation of share premium account, capital reserve account and revenue reserve account (Bonus Issue 4:5)	19,800,000
22.06.1994	9,900,000	Capitalisation of share premium account and revenue reserve account (Bonus Issue 1:2)	29,700,000
01.11.1996	11,880,000	Capitalisation of unappropriated profits (Bonus Issue 2:5)	41,580,000
10.12.1996	11,880,000	Rights Issue 2:5 at RM7.00	53,460,000
15.01.1999	53,460,000	Capitalisation of share premium reserve account (Bonus Issue 1:1)	106,920,000
12.04.2000	435,000	Exercise of share options under LPI ESOS at option price of RM2.60 per share	107,355,000
18.10.2001	43,000	Exercise of share options under LPI ESOS at option price of RM2.60 per share	107,398,000
24.07.2002	10,739,000	Subscription of new ordinary shares of LPI by NIPPONKOA INSURANCE CO., LTD. at RM3.81 per share	118,137,000
08.01.2003	473,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	118,610,000
21.08.2003	1,117,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	119,727,000

ISSUED AND PAID-UP
SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital(RM)
30.09.2003	432,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	120,159,000
08.01.2004	1,237,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	121,396,000
29.03.2004	1,857,000	Exercise of share options under LPI ESOS as follows: - 1,773,000 shares at option price of RM3.29 - 84,000 shares at option price of RM3.76	123,253,000
04.06.2004	619,000	Exercise of share options under LPI ESOS as follows: - 592,000 shares at option price of RM3.29 - 27,000 shares at option price of RM3.76	123,872,000
27.08.2004	921,000	Exercise of share options under LPI ESOS as follows: - 675,000 shares at option price of RM3.29 - 4,000 shares at option price of RM3.76 - 242,000 shares at option price of RM3.66	124,793,000
22.10.2004	1,545,000	Exercise of share options under LPI ESOS as follows: - 1,050,000 shares at option price of RM3.29 - 15,000 shares at option price of RM3.76 - 480,000 shares at option price of RM3.66	126,338,000
29.11.2004	980,000	Exercise of share options under LPI ESOS as follows: - 624,000 shares at option price of RM3.29 - 37,000 shares at option price of RM3.76 - 319,000 shares at option price of RM3.66	127,318,000
24.12.2004	1,583,000	Exercise of share options under LPI ESOS as follows: - 567,000 shares at option price of RM3.29 - 71,000 shares at option price of RM3.76 - 756,000 shares at option price of RM3.66 - 189,000 shares at option price of RM4.30	128,901,000
24.01.2005	1,257,000	Exercise of share options under LPI ESOS as follows: - 391,000 shares at option price of RM3.29 - 255,000 shares at option price of RM3.76 - 526,000 shares at option price of RM3.66 - 85,000 shares at option price of RM4.30	130,158,000

ISSUED AND PAID-UP
SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital(RM)
08.02.2005	5,653,000	Exercise of share options under LPI ESOS as follows: - 94,000 shares at option price of RM3.29 - 594,000 shares at option price of RM3.76 - 4,888,000 shares at option price of RM3.66 - 77,000 shares at option price of RM4.30	135,811,000
18.04.2005	435,000	Exercise of share options under LPI ESOS as follows: - 27,000 shares at option price of RM3.29 - 161,000 shares at option price of RM3.76 - 112,000 shares at option price of RM3.66 - 27,000 shares at option price of RM4.30 - 108,000 shares at option price of RM5.94	136,246,000
11.07.2005	192,000	Exercise of share options under LPI ESOS as follows: - 3,000 shares at option price of RM3.29 - 11,000 shares at option price of RM3.76 - 47,000 shares at option price of RM3.66 - 27,000 shares at option price of RM4.30 - 104,000 shares at option price of RM5.94	136,438,000
21.07.2005	930,000	Exercise of share options under LPI ESOS as follows: - 1,000 shares at option price of RM3.29 - 37,000 shares at option price of RM3.76 - 87,000 shares at option price of RM3.66 - 46,000 shares at option price of RM4.30 - 759,000 shares at option price of RM5.94	137,368,000
07.10.2005	288,000	Exercise of share options under LPI ESOS as follows: - 3,000 shares at option price of RM3.29 - 26,000 shares at option price of RM3.76 - 26,000 shares at option price of RM3.66 - 8,000 shares at option price of RM4.30 - 150,000 shares at option price of RM5.94 - 75,000 shares at option price of RM6.29	137,656,000
20.10.2005	271,000	Exercise of share options under LPI ESOS as follows: - 42,000 shares at option price of RM3.29 - 11,000 shares at option price of RM3.66 - 3,000 shares at option price of RM4.30 - 127,000 shares at option price of RM5.94 - 88,000 shares at option price of RM6.29	137,927,000

ISSUED AND PAID-UP
SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital(RM)
17.11.2005	23,000	Exercise of share options under LPI ESOS as follows: - 1,000 shares at option price of RM3.29 - 19,000 shares at option price of RM5.94 - 3,000 shares at option price of RM6.29	137,950,000
30.11.2005	61,000	Exercise of share options under LPI ESOS as follows: - 26,000 shares at option price of RM3.66 - 20,000 shares at option price of RM5.94 - 15,000 shares at option price of RM6.29	138,011,000
14.12.2005	165,000	Exercise of share options under LPI ESOS as follows: - 55,000 shares at option price of RM3.76 - 31,000 shares at option price of RM3.66 - 51,000 shares at option price of RM5.94 - 25,000 shares at option price of RM6.29 - 3,000 shares at option price of RM6.95	138,176,000
27.12.2005	547,000	Exercise of share options under LPI ESOS as follows: - 3,000 shares at option price of RM3.29 - 10,000 shares at option price of RM3.76 - 12,000 shares at option price of RM3.66 - 1,000 shares at option price of RM4.30 - 380,000 shares at option price of RM5.94 - 67,000 shares at option price of RM6.29 - 74,000 shares at option price of RM6.95	138,723,000
29.09.2010	68,834,150	Capitalisation of share premium reserve account (Bonus Issue 1:2)	207,557,150
29.09.2010	13,766,830	Rights Issue 1:10 at RM7.00	221,323,980
24.03.2015	110,661,828	Capitalisation of share premium reserve account (Bonus Issue 1:2)	331,985,808
11.04.2018	66,396,945	Capitalisation of share premium reserve account and retained earnings account (Bonus Issue 1:5)	398,382,753

PARTICULARS OF PROPERTY
HELD BY THE GROUP

Location	Units 02-39, 02-41, 02-43 and 02-45 Goldhill Plaza Newton Road Singapore
Description	2nd floor of 6 storey building
Current use	Rented out to third parties
Tenure	Leasehold 999 years
Remaining lease period (Expiry date)	952 years (26 February 2971)
Age of property	47 years
Built-up area	4,952 sq. ft
Net book value	RM27,360,000
Date of acquisition	26 February 1972
Date of last revaluation	18 December 2018

INTERNATIONAL
NETWORK

GROUP CORPORATE
DIRECTORY

HEAD OFFICE
6th Floor, Bangunan Public Bank,
6, Jalan Sultan Sulaiman,
50000 Kuala Lumpur, Malaysia.
Tel No. : (603) 2262 8688 / 2723 7888
Fax No. : (603) 2078 7455
Website: www.lpicapital.com

SUBSIDIARY

LONPAC INSURANCE BHD

Head Office
LG, 6th - 7th, 21st - 26th Floor,
Bangunan Public Bank,
6, Jalan Sultan Sulaiman,
50000 Kuala Lumpur.
P.O. Box 10708
50722 Kuala Lumpur.
Tel No. : (603) 2262 8688 / 2723 7888
Fax No. : (603) 2715 1332 /2078 7455 / 2034 2654 / 2715 0722 / 2072 3385 / 2715 0696 / 2723 7886
Website: www.lonpac.com

NORTHERN REGION I

Head of Northern Region I & East Coast Region
Mr. James Kong Wai Mun
Tel No. : (605) 254 0340
Fax No. : (605) 254 2119 /255 2657
Email : jameskong@lonpac.com

Taiping Branch
No.9, Ground & 1st Floor,
Persiaran Taiping,
34000 Taiping,
Perak.

Head of Branch
Ms. Ang Gaik Hua
Tel No. : (605) 8091 666 / 8091 667
Fax No.: (605) 8091 668
Email : ghang@lonpac.com

Sitiawan Branch
No. 10, Jalan PPMP 3/1,
Pusat Perniagaan Manjung Point 3,
32040 Seri Manjung,
Perak.

Head of Branch
Mr. Aw Seng Oo
Tel No. : (605) 688 9961 / 688 9962
Fax No.: (605) 688 9960
Email : soaw@lonpac.com

Ipoh Branch
Lot 12 & 14,
Jalan Yeop Abdul Rani,
30300 Ipoh,
Perak.

Head of Branch
Mr. Moh Wai Kit
Tel No. : (605) 254 0340
Fax No.: (605) 254 2119 / 255 2657
Email : wkmoh@lonpac.com

NORTHERN REGION II

Head of Northern Region II
Ms. Lillian Koh Gim Ping
Tel No. : (604) 217 0998
Fax No.: (604) 217 0898
Email : lilliankoh@lonpac.com

Alor Setar Branch
No. 4 & 5, 2nd Floor,
No. 55, Bangunan Emum 55,
Jalan Gangsa,
Kawasan Perusahaan Mergong 2,
05150 Alor Setar,
Kedah.

Head of Branch
Mr. Beh Seng Tong
Tel No. : (604) 731 4413
Fax No.: (604) 733 6100
Email : stbeh@lonpac.com

Penang Branch
Level 3A, Sunrise Gurney,
No.68, Persiaran Gurney,
10250 Penang.

Head of Branch
Ms. Ooi Yen Lew
Tel No. : (604) 217 0998
Fax No. : (604) 217 0898
Email : ylooi@lonpac.com

EAST COAST REGION

Kuantan Branch
B-62B, 1st Floor,
Lorong Tun Ismail 8,
Sri Dagangan II,
25000 Kuantan,
Pahang.

Head of Branch
Mr. Chen Fan Yen
Tel No. : (609) 514 4107
Fax No.: (609) 514 5001
Email : fychen@lonpac.com

GROUP CORPORATE DIRECTORY

Kuala Terengganu Branch
Lot 5032-B,
Jalan Sultan Zainal Abidin,
20000 Kuala Terengganu,
Terengganu.

Head of Branch
Encik Yaakub Bin Abu Bakar
Tel No. : (609) 622 2088 / 622 2099
Fax No.: (609) 622 2123
Email : yaakubabubakar@lonpac.com

Kota Bharu Branch
No. PT 286, Tingkat 1 & 2,
Jalan Kebun Sultan,
15300 Kota Bharu,
Kelantan.

Head of Branch
Ms. Angelinne Fong Geok Lan
Tel No. : (609) 744 3166 / 744 3066
Fax No.: (609) 744 9948
Email : glfong@lonpac.com

CENTRAL REGION

Kajang Branch
No. 13-1 & 13-2,
Jalan KP1/3,
Kajang Prima,
43000 Kajang,
Selangor Darul Ehsan.

Head of Branch
Mr. Sebastian Tan York Chung
Tel No. : (603) 8736 9130
Fax No.: (603) 8736 9135
Email : sebastiantan@lonpac.com

Klang Branch
No. 2-08, 8th Floor,
Menara Empire, Jalan Empayar,
Off Persiaran Sultan Ibrahim/KU1,
41050 Klang Bandar Diraja,
Selangor Darul Ehsan.

Head of Branch
Ms. Tan Bee Bee
Tel No. : (603) 3341 9133
Fax No.: (603) 3341 9233
Email : bbtan@lonpac.com

SOUTHERN REGION

Seremban Branch
No. 496, Jalan Haruan 4/4,
Oakland Commercial Centre,
70300 Seremban,
Negeri Sembilan.

Head of Branch
Mr. Gavin Tan Poh Teck
Tel No. : (606) 601 5677
Fax No.: (606) 601 6768
Email : pttan@lonpac.com

Melaka Branch
No. 7 & 9, Jalan Melaka Raya 11,
Taman Melaka Raya,
75000 Melaka.

Head of Branch
Mr. Yong Chee Chean
Tel No. : (606) 282 5169
Fax No.: (606) 284 1097 / 282 9018
Email : ccyong@lonpac.com

Segamat Branch
No. 23, Jalan Genuang Perdana,
Taman Genuang Perdana,
85000 Segamat,
Johor.

Head of Branch
Mr. Lee Yoke Wah
Tel No. : (607) 943 6860 / 943 6880
Fax No.: (607) 943 6870
Email : ywlee@lonpac.com

Batu Pahat Branch
13, Jalan Flora Utama 1,
Taman Flora Utama,
83000 Batu Pahat,
Johor.

Head of Branch
Mr. Dennis Chong Shiung Tiam
Tel No. : (607) 433 8169 / 433 9169
Fax No.: (607) 433 9166
Email : dennischong@lonpac.com

Johor Bahru Branch
Suite No. 25.02-25.04, 25th Floor,
Public Bank Tower,
No. 19, Jalan Wong Ah Fook,
80000 Johor Bahru,
Johor.

Head of Branch
Mr. Ryan Leong Chee Woei
Tel No. : (607) 222 1368
Fax No.: (607) 223 0549
Email : ryanleong@lonpac.com

SARAWAK REGION

Head of Sarawak Region
Mr. Wong Shon Kwang
Tel No. : (6082) 428 529
Fax No.: (6082) 424 512
Email : skwong@lonpac.com

GROUP CORPORATE
DIRECTORY

Kuching Branch
Lot 258 & 259,
Ground and 1st Floor,
Section 49, KTLD,
Jalan Chan Chin Ann,
93100 Kuching,
Sarawak.

Head of Branch
Mr. Wong Shon Kwang
Tel No. : (6082) 428 529
Fax No.: (6082) 424 512
Email : skwong@lonpac.com

Sibu Branch
No. 4 & 6, 1st Floor,
Lorong Pedada 20A,
96000 Sibu,
Sarawak.

Head of Branch
Mr. Joseph Pang Neng Liong
Tel No. : (6084) 313 823 / 313 023
Fax No.: (6084) 322 923
Email : nlpang@lonpac.com

Miri Branch
Lot 3528, 1st & 2nd Floor,
Al-Bayt Square,
(Miri 101 Commercial Centre),
Jalan Miri-Pujut,
98000 Miri,
Sarawak.

Head of Branch
Mr. Desmond Ng Tin Fong
Tel No. : (6085) 324 806
Fax No.: (6085) 324 769
Email : desmondng@lonpac.com

SABAH REGION

Head of Sabah Region
Mr. Nicholas Wong Kok Choong
Tel No. : (6088) 217 922
Fax No.: (6088) 236 917
Email : nicholaswong@lonpac.com

Kota Kinabalu Branch
Level 9, Wisma Fook Loi,
No. 38, Jalan Gaya,
88000 Kota Kinabalu,
Sabah.

Head of Branch
Ms. Veronica Chin Nyuk Lan
Tel No. : (6088) 217 922
Fax No.: (6088) 236 917
Email : veronicachin@lonpac.com

Sandakan Branch
4th Floor, Menara Rickoh,
Indah Commercial Complex,
Bandar Indah,
Mile 4, North Road,
90000 Sandakan,
Sabah.

Head of Branch
Ms. Joan Fung Nyuk Lee
Tel No. : (6089) 237 163
Fax No.: (6089) 237 169
Email : joanfung@lonpac.com

Tawau Branch
TB4427 & TB4428,
1st Floor, Block C,
Sabindo Square,
Jalan Dunlop,
91000 Tawau,
Sabah.

Head of Branch
Mr. Peter Gau Fui Ming
Tel No. : (6089) 756 997 / 756 998
Fax No.: (6089) 756 995
Email : petergau@lonpac.com

SINGAPORE BRANCH
300, Beach Road #17-04/07,
The Concourse,
Singapore 199555.

Chief Executive
Mr. Quek Sun Hui
Tel No. : (02) 6250 7388
Fax No.: (02) 6296 3767
Email : shquek@lonpac.com
Website: www.lonpac.com.sg

ASSOCIATED COMPANY
CAMPU LONPAC INSURANCE PLC

Head Office
7th Floor, Campu Bank Building,
No. 23, Kramuon Sar Avenue
(Street No. 114),
Sangkat Phsar Thmey II,
Khan Daun Penh,
Phnom Penh,
Cambodia.

General Manager
Mr. Soh Jiun Hong
Tel No. : (855) 23 966 966 / 23 998 200 / 23 986 279
Fax No.: (855) 23 986 273 / 23 986 308
Email : soh.jiunhong@campulonpac.com.kh
Website: www.campulonpac.com.kh

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 58th Annual General Meeting (AGM) of LPI Capital Bhd will be held at Sabah Room, Basement II, Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Wednesday, 27 March 2019 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To re-elect the following Directors who retire by rotation in accordance with Article 97 of the Company's Articles of Association (Constitution) and who being eligible offer themselves for re-election:
   i. Mr Lee Chin Guan **Ordinary Resolution 1**
   ii. Ms Chan Kwai Hoe **Ordinary Resolution 2**

3. To re-elect Ms Soo Chow Lai who retire by rotation in accordance with Article 102 of the Company's Articles of Association (Constitution) and who being eligible offer herself for re-election. **Ordinary Resolution 3**

4. To approve the payment of Directors' fees of RM1,015,000 for the financial year ended 31 December 2018. **Ordinary Resolution 4**

5. To approve the payment of Directors' Benefits amounting to RM277,500 for the financial year ended 31 December 2018. **Ordinary Resolution 5** **(Please refer to Explanatory Note 2)**

6. To approve the insurance coverage for non-executive directors from 58th AGM to 59th AGM of the Company. **Ordinary Resolution 6** **(Please refer to Explanatory Note 3)**

7. To re-appoint Messrs. KPMG PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix the Auditors' remuneration. **Ordinary Resolution 7**

As Special Business

8. To consider and if thought fit, to pass the following Special Resolution: **Special Resolution 1** **(Please refer to Explanatory Note 4)**

   Proposed Adoption of the New Constitution of the Company

   "THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company (M&A) with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in Appendix A despatched together with the Company's Annual Report 2018 be and is hereby adopted as the Constitution of the Company.

   AND THAT, the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

By Order of the Board

KONG THIAN MEE
MAICSA 7024050
Company Secretary

Kuala Lumpur
26 February 2019

NOTICE OF
ANNUAL GENERAL MEETING

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 19 March 2019 be regarded as members and entitled to attend, speak and vote at the meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint not more than 2 proxies (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.

3. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

7. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the holding of the meeting or at any adjournment thereof.

8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of Meeting will be put to vote by poll.

NOTICE OF
ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to the provision of Sections 248(2) and 340(1)(a) of the Companies Act 2016. Hence, this matter will not be put for voting.

2. The breakdown of the proposed payment of Directors' Benefits amounting to RM277,500 for the financial year ended 31 December 2018 is as set out below:

   (i) Meeting Attendance Allowances

   (a) Board of Directors' Meeting Attendance Allowance of RM1,500 per meeting;
   (b) Audit Committee (AC) Meeting Attendance Allowance of RM1,500 per meeting; and
   (c) Risk Management Committee Meeting Attendance Allowance of RM1,500 per meeting.

   (ii) AC Allowance of RM3,000 per month.

3. Insurance coverage for non-executive directors is as per following:

	Insurance	Premium
(i)	Hospitalisation and Surgical Insurance	RM8,683
(ii)	Personal Accident Insurance	RM858
(iii)	Travel Insurance	RM773

4. Proposed Adoption of the New Constitution of the Company (Proposed Adoption)

   The Special Resolution 1, if passed will streamline the Company's Constitution with the new provisions of the Companies Act 2016, amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and enhance administrative efficiency. The Board proposed that the existing M&A be revoked in its entirety and the proposed new Constitution of the Company as set out in Appendix A be adopted as the new Constitution of the Company. The Proposed Adoption shall take effect once it has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at the 58th AGM.

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LPI CAPITAL BHD (4688-D)
Incorporated in Malaysia

FORM OF PROXY

I/ We ______________________________________ NRIC (New)/ Company No. : ____________________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

being a member/ members of LPI CAPITAL BHD, hereby appoint* ____________________________________
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No. : ____________________ of ______________________________________
(FULL ADDRESS)

and/ or ______________________________________ NRIC (New) No. : ____________________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

or failing him, the Chairman of the Meeting as *my/ our proxy/ proxies to attend and vote for *me/ us on *my/ our behalf, at the Fifty-Eighth Annual General Meeting of the Company to be held at Sabah Room, Basement II, Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 27 March 2019 at 11.00 a.m., or any adjournment thereof, to vote as indicated below:

NO.	RESOLUTION	FOR	AGAINST
Ordinary Business			
1.	Re-election of Mr Lee Chin Guan as Director.		
2.	Re-election of Ms Chan Kwai Hoe as Director.		
3.	Re-election of Ms Soo Chow Lai as Director.		
4.	Approval of payment of Directors' fees.		
5.	Approval of payment of Directors' benefits.		
6.	Approval of insurance coverage for Non-Executive Directors.		
7.	Re-appointment of Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration.		
Special Business			
8.	Proposed Adoption of the New Constitution of the Company.		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the Proxy(ies) will vote or abstain from voting at his discretion.)

Dated this __________ day of ______________ 2019

No. of ordinary shares held	:
CDS Account No	:
Proportion of shareholdings to be represented by proxies	: First Proxy : __________% Second Proxy : __________%
Contact No.	:

____
Signature of Member/ Common Seal

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 19 March 2019 be regarded as members and entitled to attend, speak and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.
3. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the holding of the meeting or at any adjournment thereof.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of Meeting will be put to vote by poll.

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STAMP

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South,
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,
Malaysia

Fold Here

www.lpicapital.com

LPI CAPITAL BHD (4688-D)

6th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Malaysia

T (03) 2262 8688 / 2723 7888
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