LPI CAPITAL BHD
196201000175 (4688-D)

PERFORMANCE AND OPPORTUNITIES

ANNUAL REPORT 2019

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COVER RATIONALE

The cover is an abstract representation of elements typically found in analytical charts. The design signifies the consistent high performance of our organisation, particularly following the emergence of new developments which disrupt the status quo. At LPI Capital Bhd, we recognise that we operate within a new digital era that is rife with new opportunities as well as challenges. Nevertheless, we remain confident in our ability to navigate these new challenges to continue creating value for our stakeholders.

ABOUT THIS REPORT

REPORTING SCOPE AND BOUNDARY

This is LPI Capital Bhd ("LPI")'s first step towards integrated reporting. It is the primary report to our stakeholders covering the activities of the Group for the period 1 January 2019 to 31 December 2019. It focuses on our strategy and how our operating segments and key enabling functions create value over the short, medium and long term. This report extends beyond financial reporting and includes non-financial performance, our approach to risk management, an overview of our material matters and a summary of our governance practices. This report does not provide detailed information on investments in associates.

FORWARD LOOKING STATEMENTS

This report may contain certain forward looking statements with respect to certain LPI's plans and its current goals and expectations relating to its future financial condition, performance and results and, in particular, estimates of future cash flows and costs. By their nature, all forward looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond LPI's control including, among other things, Malaysian domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and regulations in the jurisdictions in which LPI and its affliates operate.

As a result, LPI's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in LPI's forward looking statements. LPI undertakes no obligation to update the forward looking statements contained in this presentation or any other forward looking statements it may make. Nothing in this report shall constitute an offer to sell or the solicitation of an offer to buy securities.

REPORTING FRAMEWORKS

Our annual report has been compiled in accordance with the principles of the International Integrated Reporting <IR> Framework and the Malaysian Code on Corporate Governance. As a Malaysian company listed on Bursa Malaysia Securities Berhad ("Bursa Securities"), we also comply with Bursa Securities' Main Market Listing Requirements, Bursa Securities' guidelines on both the Management Discussion and Analysis and Sustainability Reporting and the Companies Act 2016. Our annual financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

BOARD APPROVAL

The Board acknowledges its responsibility for ensuring the integrity of this annual report. The Board has considered the operating context and statements in this report which, in the Board's opinion, addresses all the issues that are material to, or could have a material effect on, the Group's ability to create value. This report fairly presents the integrated performance of the Group.

DEFINING OUR CONCEPTS

Materiality

We apply the principle of materiality in assessing what information is included in our annual report. This report focuses particularly on those issues, opportunities and challenges that impact materially on LPI and its ability to consistently deliver value to our stakeholders in a sustainable manner.

Value

Value creation is the consequence of how we apply and leverage our resources and strategy in delivering financial performance and value for all stakeholders. We focus on improving both the quantum of value delivered and the quality of experience for each of our stakeholders.

AT A GLANCE
FINANCIAL & NON-FINANCIAL HIGHLIGHT

FINANCIAL
Highlight

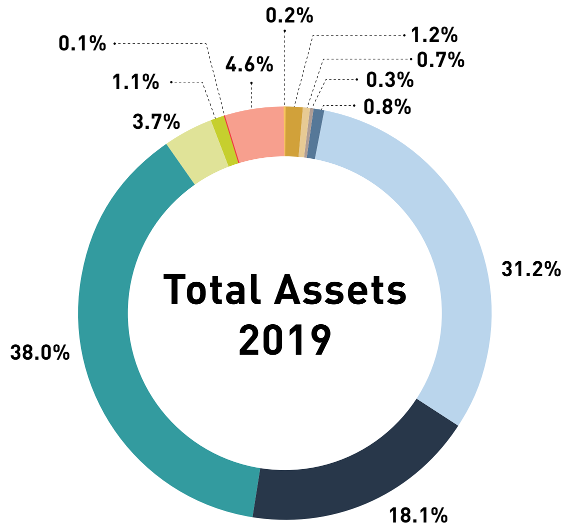
GROSS WRITTEN PREMIUMS
RM **1.5** BILLION

PROFIT BEFORE TAX
RM **414.7** MILLION

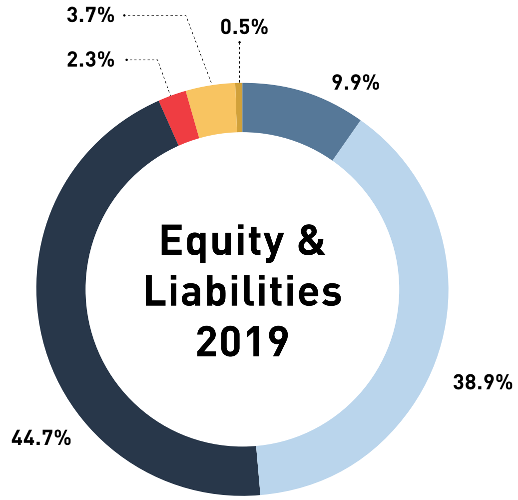
RETURN ON EQUITY
16.3%

RETURN ON ASSETS
8.0%

NET DIVIDEND PER SHARE
70.0 sen



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



- Share capital
- Reserves
- Insurance contract liabilities
- Insurance payables
- Deferred tax liabilities, lease liabilities and other payables
- Current tax payables

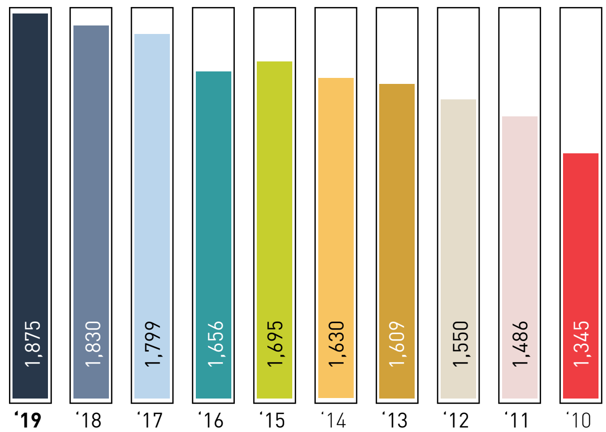
AT A GLANCE
FINANCIAL & NON-FINANCIAL HIGHLIGHT

NON-FINANCIAL Highlight

THE BRANDLAUREATE
BESTBRANDS AWARDS 2018-2019
FOR MOST VALUABLE BRAND IN GENERAL INSURANCE

by Asia Pacific Brands Foundation (27 June 2019)

GROSS WRITTEN PREMIUMS INCOME
per employee (RM'000)



MSWG-
ASEAN CORPORATE GOVERNANCE AWARDS 2018

by The Minority Shareholders Watch Group (31 July 2019)

NO. OF EMPLOYEES

813

NO. OF POLICIES ISSUED
per employee

2,531

AT A GLANCE

FINANCIAL CALENDAR (FINANCIAL YEAR 2019)

Announcement Of Consolidated Results

15 April 2019
Monday
Announcement date

Unaudited results for the 1st quarter ended 31 March 2019

15 July 2019
Monday
Announcement date

Unaudited results for the 2nd quarter ended 30 June 2019

15 October 2019
Tuesday
Announcement date

Unaudited results for the 3rd quarter ended 30 September 2019

3 February 2020
Monday
Announcement date

Audited results for the 4th quarter and financial year ended 31 December 2019

Dividends

15 July 2019
Monday
Notice date

31 July 2019
Wednesday
Entitlement date

8 August 2019
Thursday
Interim dividend payment date

First interim single tier dividend of 27 sen per ordinary share

3 February 2020
Monday
Notice date

18 February 2020
Tuesday
Entitlement date

26 February 2020
Wednesday
Interim dividend payment date

Second interim single tier dividend of 43 sen per ordinary share

Annual General Meeting

26 February 2020
Wednesday

Notice of 59th Annual General Meeting

26 March 2020
Thursday

59th Annual General Meeting

AT A GLANCE
PERFORMANCE AT A GLANCE

FINANCIAL HIGHLIGHTS	GROUP 2019	2018
OPERATING RESULTS (RM'000)		
Operating Revenue	**1,602,701**	1,513,663
Gross Written Premiums	**1,524,368**	1,469,377
Operating Profit	**414,389**	401,954
Profit Before Tax	**414,719**	405,965
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM'000)		
Total Assets	**4,045,890**	4,240,553
Total Liabilities	**2,073,991**	2,083,768
Total Equity	**1,971,899**	2,156,785
FINANCIAL RATIOS (%)		
Profitability Ratios		
Return on Equity	**16.3**	14.6
Return on Assets	**8.0**	7.4
Operating Margin	**25.9**	26.6
Net Claims Incurred	**43.9**	40.9
Productivity Ratios		
Gross Written Premiums Income per Employee (RM'000)	**1,875**	1,830
No. of Policies Issued per Employee	**2,531**	2,554

VISION, MISSION AND VALUES

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.

VISION, MISSION AND VALUES

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 PROFILE

ABOUT US

LPI Capital Bhd ("LPI"), an investment holding company listed on the Malaysian stock exchange, is primarily involved in the 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 8.36%[1] share of the general insurance market. Lonpac is also responsible for managing LPI's Singapore interests, while our Cambodian interests are represented by LPI's 45%-owned Campu Lonpac Insurance Plc. These companies collectively form the LPI Group ("LPI Group" or "the Group").

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 and Singaporean insurance business through a rationalisation exercise in 1999.

Since its establishment more than 50 years ago, the LPI Group has weathered a number of substantial challenges, including the increasing number of competitors, to remain a trusted and important pillar of the Malaysian insurance industry. Thanks to our prudential approach to risk, our ability to adapt to changing market conditions and maintain sustainable growth, we are confident that we will continue to play a significant role in the years to come.

The Group's key value propositions for our stakeholders can be summed up 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

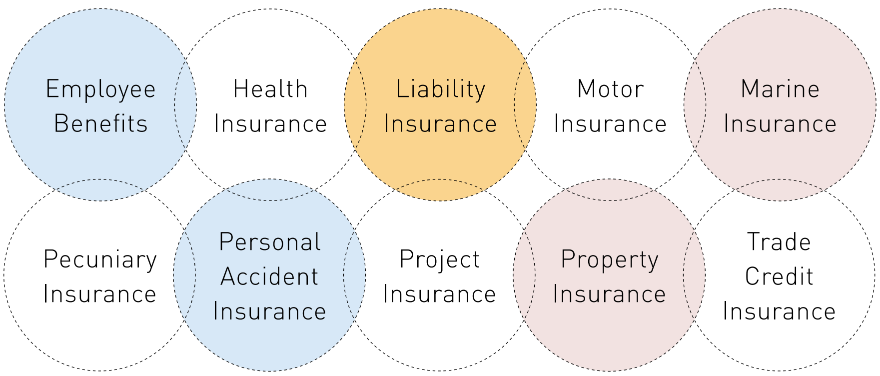
[1] ISM Statistical Bulletin for the period January – September 2019

CORPORATE PROFILE

PROVIDING A DIVERSE PRODUCT AND SERVICE RANGE

We are committed to providing comprehensive insurance coverage to our customers from all walks of life to give them peace of mind and financial security in their day-to-day lives. We place great emphasis on the availability and affordability of our products and services in recognition of the fact that our customers have different needs based on their respective circumstances in life. In addition, we make great effort to ensure that our products and services remain relevant to our customers in view of the changing landscape and demographics of the Malaysian general insurance industry.

While we prioritise the growth of certain classes of the insurance business, we generally maintain a balanced and prudential approach to ensure the uniform development of all classes of business. At present, the Group offers insurance solutions in the following areas:



The Group is committed to the development of 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.

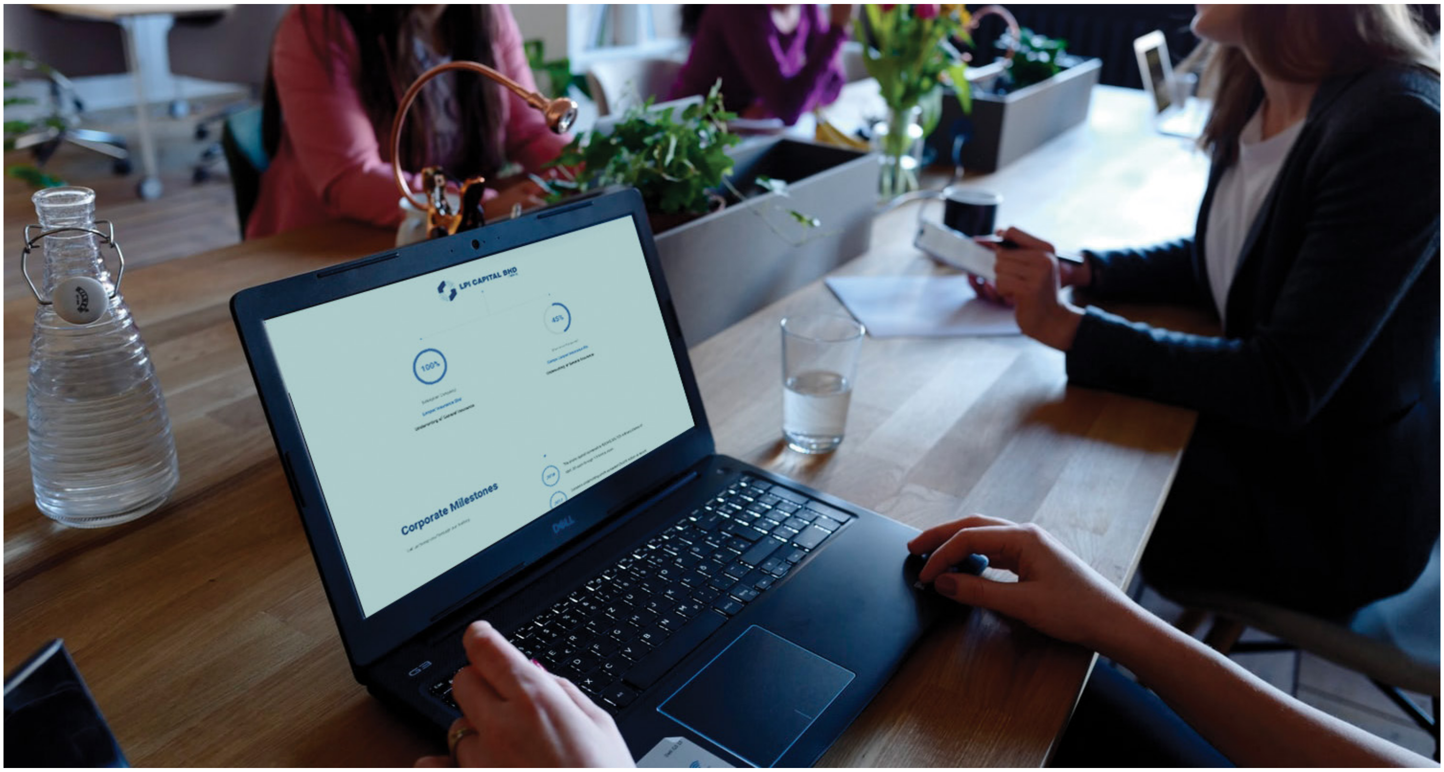
At the same time, we are also developing our range of products and services with digital technology in mind. Online and mobile transactions have become increasingly popular with our customers as technology use has become more pervasive in their day-to-day lives, and these customers have also come to expect the same digital offerings from their financial services providers. We are aware that digital is likely the way forward, and we have embarked on our Digital Transformation to establish technology as a new alternate channel of distribution and enhanced our systems to future-proof our business.

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 our operating markets. At the heart of our network is the Group's cohort of agents, which is a key contributor to product sales. Our 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.

Our in-house marketing team also constantly analyses market and demographic data to innovate new products and identify new distribution channels to further grow our business. The team also liaises with customers to obtain feedback in order to better respond to their needs 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.

CORPORATE PROFILE



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

21
Lonpac branches

1
Lonpac branch

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 prioritises the customer. This has been a hallmark of the Group since its start in 1962, and staff have been trained accordingly to maintain the highest levels of professionalism and conduct in line with this mission goal. Staff are given the training necessary to reach their full potential but also to ensure that the Group maintains our spotless customer track record.

In 2004, Lonpac established a Customer Service Centre to manage customer queries and concerns. Extensive information is available online through

CORPORATE PROFILE

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.

Additionally, we offer our 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 BizTravel and Travel Secure policies.

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 authorised persons have access to the data.

MAINTAINING A STRONG FINANCIAL RATING

Global insurance rating agency A.M. Best Asia-Pacific Limited ("A.M. Best") has affirmed Lonpac's Financial Strength Rating of "A" (Excellent) and its Long-Term Issuer Credit Rating of "a" with a stable outlook for both ratings on 1 November 2019. The ratings agency identified a number of characteristics that informed its rating, which includes:

Lonpac's balance sheet strength which A.M. Best categorises as very strong

Strong operating performance

Appropriate enterprise risk management

The agency further added that though it expects the ongoing liberalisation of the general insurance industry in Malaysia will likely drive lower underwriting profit margins, Lonpac's enhanced pricing and risk selection capabilities, strengthened distribution and product design will help maintain strong underwriting and operating performance metrics.

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); DUniv *Sunway hc*

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 and
Chartered Governance Professional
FCIS (CS) (CGP)
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 2019

LPI Capital Bhd

100%

(Malaysian Company)
Lonpac Insurance Bhd

Underwriting of
General Insurance

45%

(Overseas Company)
Campu Lonpac Insurance Plc

Underwriting of
General Insurance

Notes:
- The companies reflected above are operating subsidiary/ associated companies.
- The full list of companies under the LPI Group is set out in Notes 7 and 8 to the Financial Statements on pages 174 to 175 of this Annual Report.

FINANCIAL HIGHLIGHTS
TEN-YEAR GROUP FINANCIAL SUMMARY

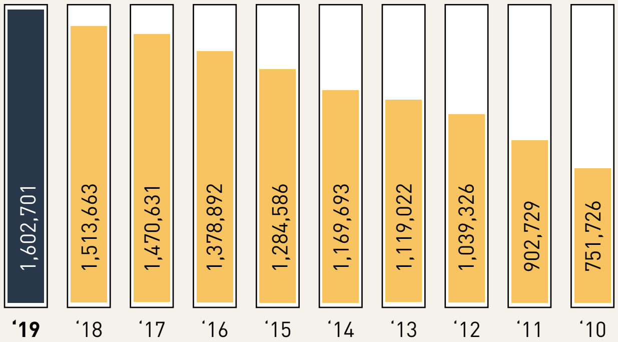
	Year Ended 31 December									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
OPERATING RESULTS (RM'000)										
Operating Revenue	**1,602,701**	1,513,663	1,470,631	1,378,892	1,284,586	1,169,693	1,119,022	1,039,326	902,729	751,726
Gross Written Premiums	**1,524,368**	1,469,377	1,421,339	1,278,339	1,250,799	1,149,162	1,105,678	1,033,860	907,912	755,931
Operating Profit	**414,389**	401,954	401,263	516,502	391,100	342,032	257,277	214,685	201,147	183,170
Profit Before Tax	**414,719**	405,965	403,749	518,925 [N1]	393,066	341,949	256,801	214,036	200,053	181,307
Profit Attributable To Owners Of The Company	**322,361**	314,049	313,794	437,223	320,989	283,016	201,440	166,925	154,494	137,908
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM'000)										
Total Assets	**4,045,890**	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
Total Liabilities	**2,073,991**	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
Share Capital	**398,383**	398,383	338,244	331,986	331,986	221,324	221,324	221,324	221,324	221,324
Total Equity	**1,971,899**	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
PRODUCTIVITY RATIO										
No. of Employees	**813**	803	790	772	738	705	687	667	611	562
Gross Written Premiums Income per Employee (RM'000)	**1,875**	1,830	1,799	1,656	1,695	1,630	1,609	1,550	1,486	1,345
No. of Policies Issued per Employee	**2,531**	2,554	2,399	2,315	2,616	2,331	2,352	2,296	2,304	2,134
No. of Claims Settled per Claims Staff	**1,534**	1,462	1,395	1,340	1,197	1,176	1,170	1,127	1,082	1,054

N1 - The Group's 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 arising from the disposal of long term equity investment.

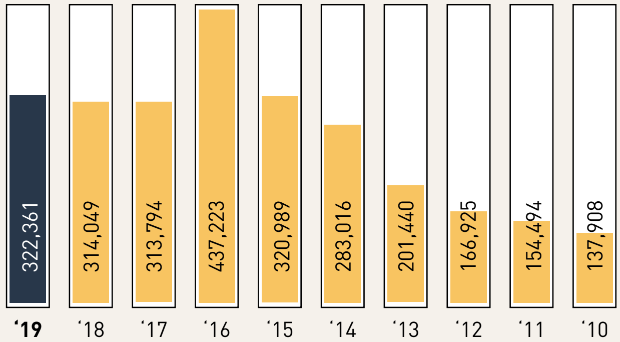
The figures for 2011 to 2019 presented above are based on MFRS whereas 2010 is based on FRS.

FINANCIAL HIGHLIGHTS
TEN-YEAR GROUP FINANCIAL SUMMARY

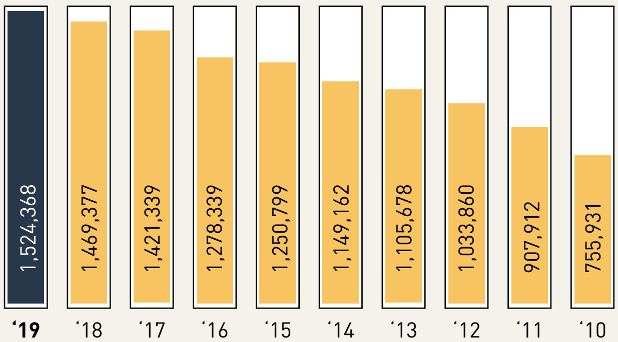
Operating Revenue
(RM'000)



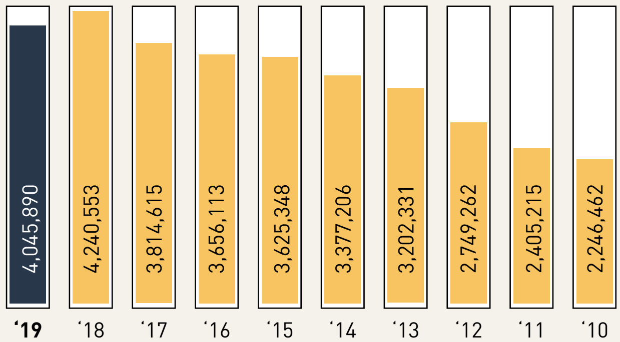
Profit Attributable To Owners Of The Company
(RM'000)



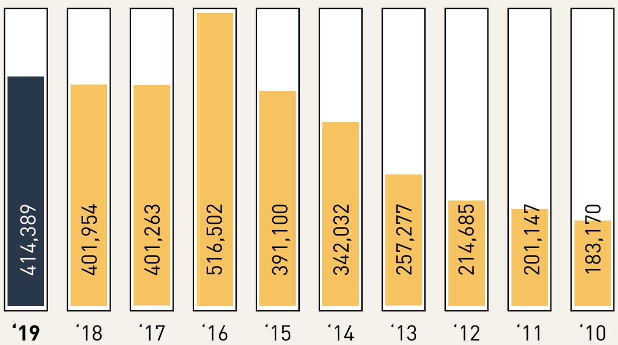
Gross Written Premiums
(RM'000)



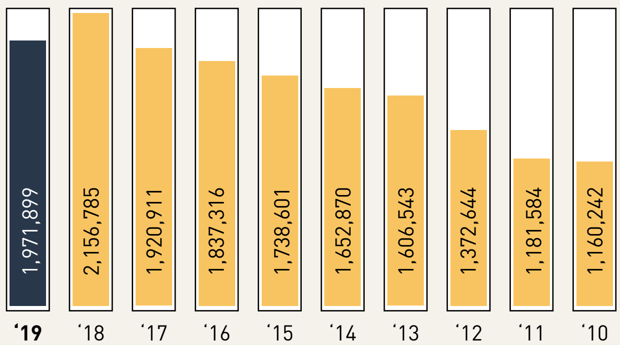
Total Assets
(RM'000)



Operating Profit
(RM'000)



Total Equity
(RM'000)



Note:
The figures for 2011 to 2019 presented above are based on MFRS whereas 2010 is based on FRS.

FINANCIAL HIGHLIGHTS

TEN-YEAR GROUP FINANCIAL SUMMARY

	Year Ended 31 December									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
SHARE INFORMATION AND VALUATION										
Share Information										
Per share (sen)										
Basic Earnings	**80.9**	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]
Net Dividend	**70.00**	68.00	72.00	80.00	70.00	75.00	70.00	65.00	75.00	55.00
Net Tangible Assets	**492.34**	541.38	578.61	553.43	523.70	746.81	729.22	623.00	536.33	526.74
Share Price as at 31 December (RM)	**15.10**	15.74	18.16	16.38	16.08	18.06	17.44	14.54	13.52	13.18
Market Capitalisation (RM'000)	**6,015,583**	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
Share Valuation										
Net Dividend Yield (%)	**4.0**	3.8	4.5	5.6	4.1	5.0	5.1	4.9	7.1	7.7
Dividend Payout Ratio (%)	**86.5**	86.3	76.2	60.7	72.4	58.6	76.6	85.8	107.0	86.2
Price to Earnings Multiple (times)	**18.7**	20.0	19.2	12.4	16.6	21.1	19.1	19.2	19.3	20.7
Price to Book Multiple (times)	**3.1**	2.9	3.1	3.0	3.1	2.4	2.4	2.3	2.5	2.5
FINANCIAL RATIOS (%)										
Profitability Ratios										
Return on Equity ("ROE")	**16.3**	14.6	16.3	23.8	18.5	17.1	12.5	12.2	13.1	11.9
Return on Assets	**8.0**	7.4	8.2	12.0	8.9	8.4	6.3	6.1	6.4	6.1
Operating Margin	**25.9**	26.6	27.3	37.5	30.4	29.2	23.0	20.7	22.3	24.4
Net Claims Incurred	**43.9**	40.9	38.5	38.3	41.0	44.0	45.5	47.5	48.9	47.7

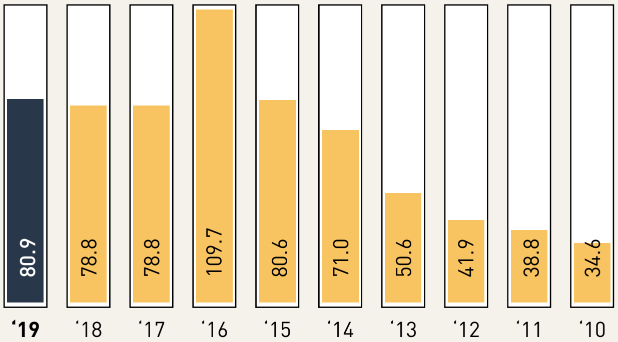
N2 - The Basic Earnings Per Ordinary Share from 2010 to 2017 were restated to take into effects of bonus issues during the year 2015 and 2018.

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 2019 presented above are based on MFRS whereas 2010 is based on FRS.

FINANCIAL HIGHLIGHTS
TEN-YEAR GROUP FINANCIAL SUMMARY

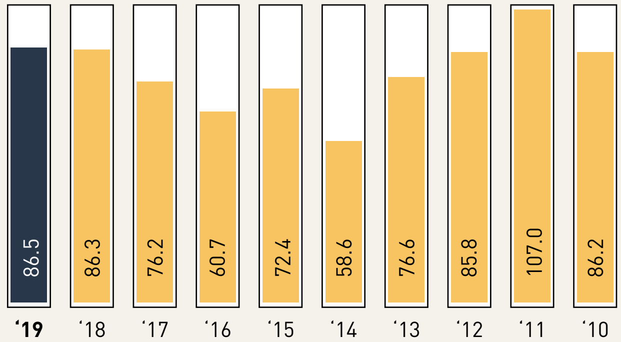
Basic Earnings Per Share
(sen)



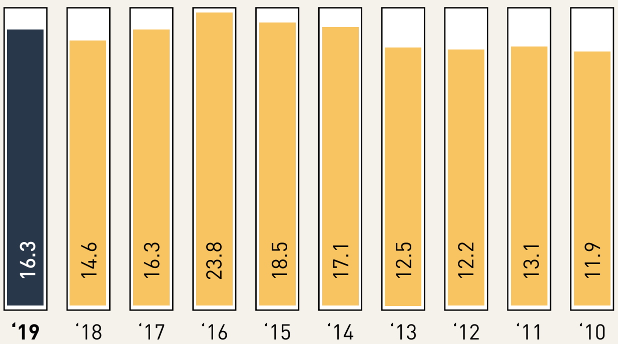
The Basic Earnings Per Ordinary Share from 2010 to 2017 were restated to take into effects of bonus issues during the year 2015 and 2018.

The figures for 2011 to 2019 presented above are based on MFRS whereas 2010 is based on FRS.

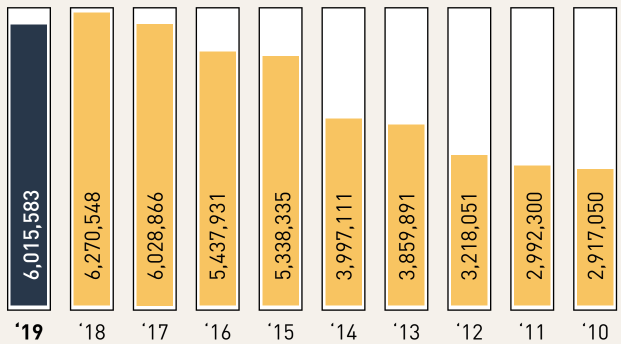
Dividend Payout Ratio
(%)



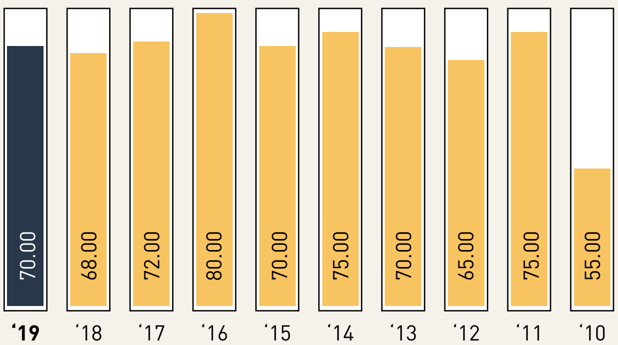
Return On Equity
(%)



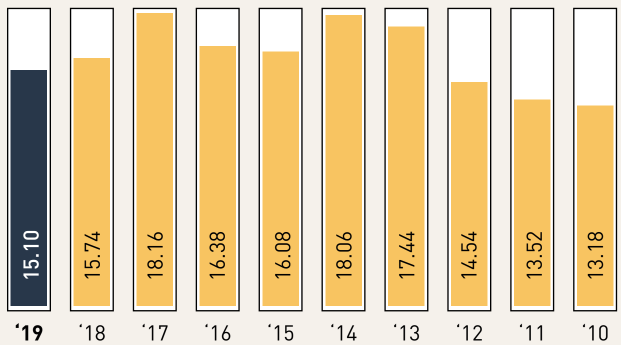
Market Capitalisation
(RM'000)



Net Dividend Per Share
(sen)



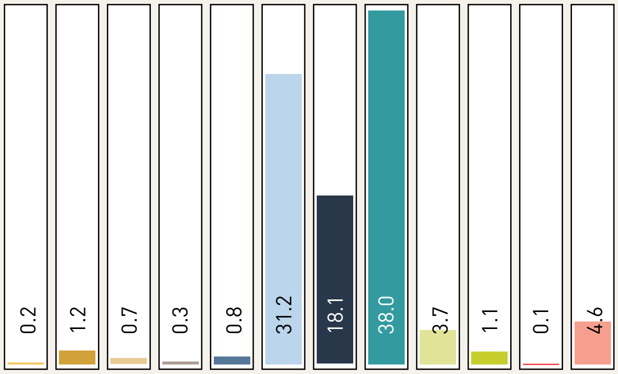
Share Price
(RM)



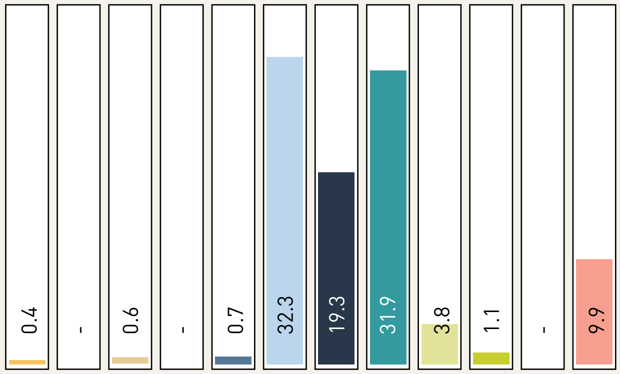
FINANCIAL HIGHLIGHTS

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

Total Assets 2019
(%)

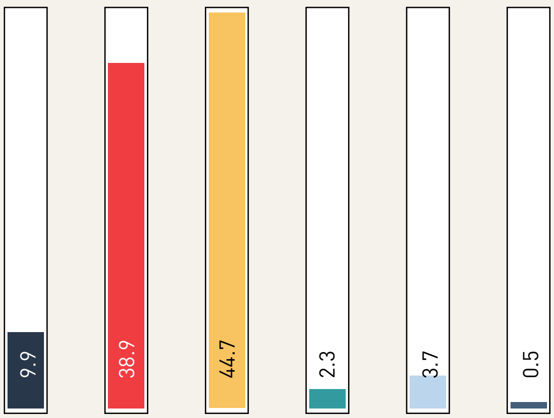


Total Assets 2018
(%)

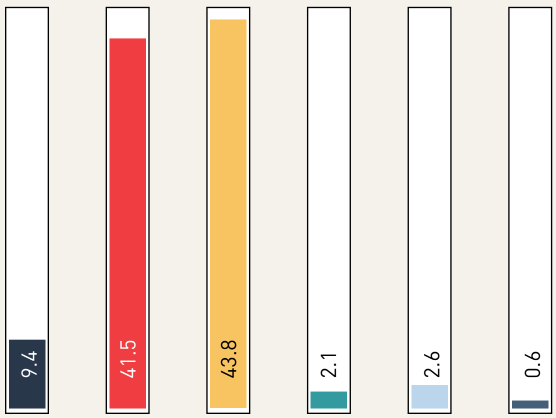


- Plant and equipment
- Right-of-use assets
- Investment properties
- Intangible assets
- Investment in an associated company
- Other investments
- Reinsurance assets
- Loans and receivables, excluding insurance receivables
- Insurance receivables
- Deferred acquisition costs
- Current tax assets
- Cash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

Equity & Liabilities 2019
(%)



Equity & Liabilities 2018
(%)

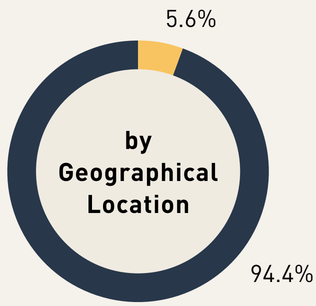


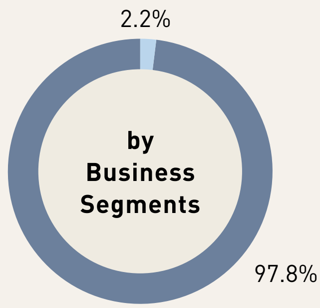
- Share capital
- Reserves
- Insurance contract liabilities
- Insurance payables
- Deferred tax liabilities, lease liabilities and other payables
- Current tax payables

FINANCIAL HIGHLIGHTS

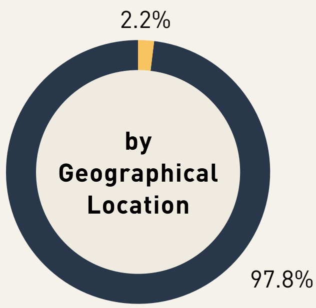
SEGMENTAL ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2019

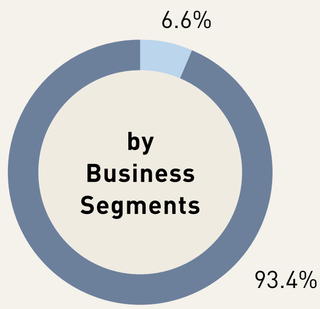
Operating Revenue



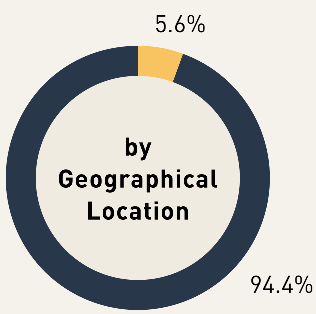


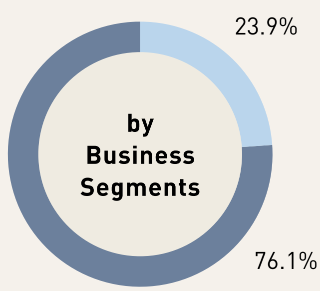
Profit Before Tax





Total Assets

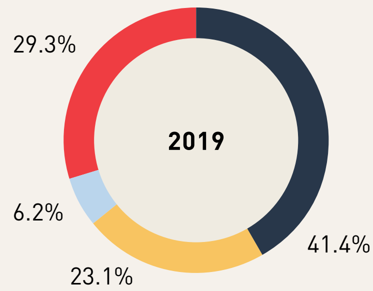


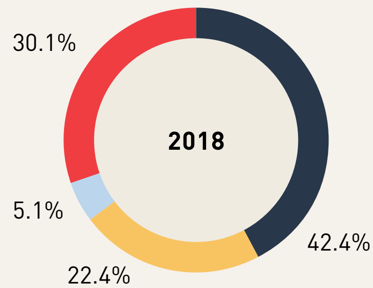


- Within Malaysia
- Outside Malaysia

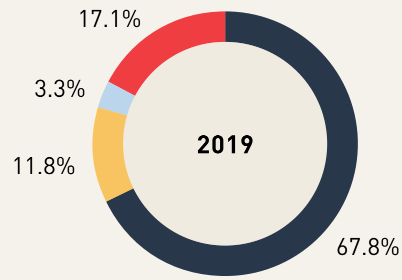
- General Insurance
- Investment Holding

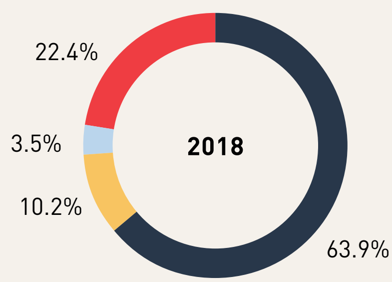
Gross Written Premiums by Class





Underwriting Surplus Before Management Expenses by Class





- Fire
- Marine, Aviation & Transit
- Motor
- Miscellaneous

FINANCIAL HIGHLIGHTS

GROUP QUARTERLY PERFORMANCE

	2019				
RM'000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2019
Financial Performance					
Operating Revenue	**392,702**	**386,902**	**423,841**	**399,256**	**1,602,701**
Operating Profit	**94,874**	**92,416**	**111,274**	**115,825**	**414,389**
Profit Before Tax	**95,444**	**92,625**	**111,359**	**115,291**	**414,719**
Profit Attributable to Owners of the Company	**77,158**	**70,782**	**87,818**	**86,603**	**322,361**
Earnings Per Share (sen)*	**19.37**	**17.77**	**22.04**	**21.74**	**80.92**
Net Dividends Per Share (sen)	**-**	**27.00**	**-**	**43.00**	**70.00**

	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

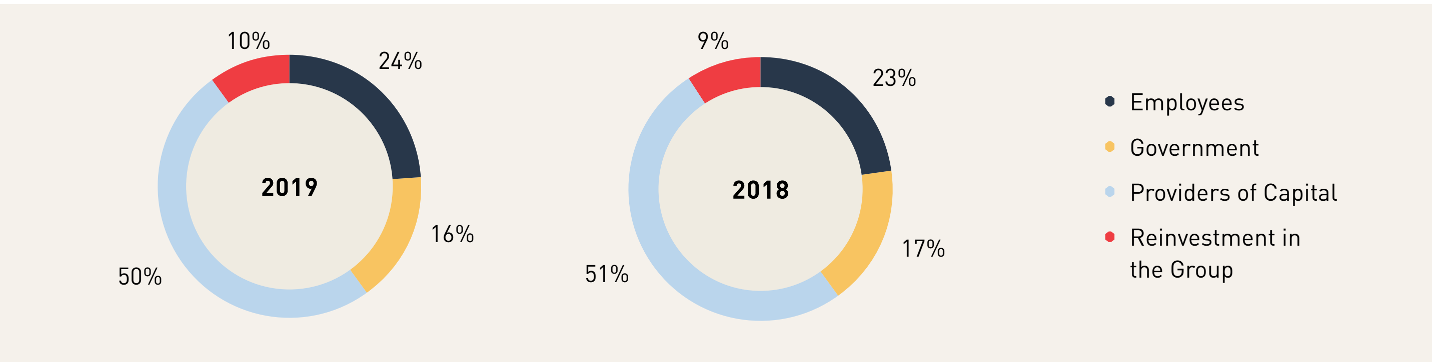
* Quarterly earnings per ordinary share is based on the weighted average number of ordinary shares in issue during the quarter whereas the year-to-date earnings per ordinary share is based on the weighted average number of ordinary shares in issue during the year.

FINANCIAL HIGHLIGHTS
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	2019 RM'000	2018 RM'000
Net Earned Premiums	**1,011,509**	930,834
Other Income	**217,463**	210,720
Net Claims Incurred	**(444,518)**	(380,968)
Other Expenses Excluding Staff Costs, Depreciation and Amortisation	**(223,773)**	(230,011)
Finance Cost	**(1,446)**	(4)
Share of Profit After Tax of Equity Accounted Associated Company	**1,776**	4,015
Value added available for distribution	**561,011**	534,586

Distribution of Value Added	2019 RM'000	2018 RM'000
To Employees:		
Staff Costs	**134,330**	125,336
To the Government:		
Tax Expense	**92,358**	91,916
To Providers of Capital:		
Dividends Paid to Shareholders	**278,868**	270,900
To Reinvest in the Group:		
Depreciation and Amortisation	**11,962**	3,285
Retained Earnings	**43,493**	43,149
Total distributed	**561,011**	534,586



LETTER FROM THE CHAIRMAN

To Our Valued STAKEHOLDERS

LPI Capital Bhd ("LPI") and its wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac"), collectively known as the LPI Group, remained resilient despite a challenging financial year ended 31 December 2019. Despite poorer averages in the general insurance industry reported during the year, our headline numbers remained mainly unchanged, suggesting that our prudent strategies and emphasis on sustainability have proven effective against the weaker operating environment. From this perspective, the LPI Group has performed relatively well and remains strategically positioned to make the most of the opportunities that will present themselves in the coming years.

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

LETTER FROM THE CHAIRMAN

The financial year ended 31 December 2019 was another year of muted economic activity marked by brittle demand and continuing turmoil in the external environment. While it is difficult to point to any one single factor as being responsible for the more challenging operating environment, it is evident that the ongoing trade war between the two largest economies in the world and political uncertainty in Europe have certainly put a damper on global trade flows. With Malaysia being an export-oriented economy, weaker trading activity has doubtless hurt exports and affected domestic sentiments.

The more conservative operating environment was reflected in the general insurance industry, which registered a 1.0% decline in Gross Written Premium for the first nine months of 2019, reflecting a decline in demand for insurance[1]. The industry's overall combined ratio which is a general barometer measuring the health of the industry had also deteriorated to 93.4% from 91.4% during the same period, reflecting the increase in claims cost and weaker underwriting performance[1]. It should be noted that the ongoing liberalisation of the general insurance industry in Malaysia was also a factor in determining the overall metrics as some adjustment was always expected during this period of transition.

Despite these challenges, I am pleased to report that the LPI Group continued to report a Profit Before Tax growth of 2.1% to RM414.7 million in 2019 from RM406.0 million a year ago. The better performance was driven by greater contributions from our general insurance operations, which grew 3.0% to RM385.5 million from RM374.1 million a year ago. The most significant area of growth was in our Marine, Aviation and Transit business, which saw a significant increase of 25.6% during the year. Our Motor business also posted sustainable growth numbers, increasing 7.1% in 2019.

The Board of LPI has declared a second interim single tier dividend of 43 sen for the financial year ended 31 December 2019 bringing our total dividend payout in 2019 to 70 sen per share.

In the immediate term, the LPI Group will continue to operate within an uncertain environment owing to the continuing volatility of the global economic landscape and the ongoing liberalisation of the general insurance market.

ENSURING SUSTAINABLE VALUE CREATION IN THE FUTURE

Long-term, sustainable development has been a cornerstone of the LPI Group's business philosophy since the Company was first established and remains the guiding philosophy for all that we do. Our emphasis on sustainability is borne out of the recognition that we have a continuous and ongoing relationship with our stakeholders. A key component to the long-term sustainability of our value creation activities is our ability to manage challenges that may arise in both near and distant futures.

In the immediate term, the LPI Group will continue to operate within an uncertain environment owing to the continuing volatility of the global economic landscape and the ongoing liberalisation of the general insurance market. A fuller discussion of the impact that these challenges might pose to our business can be found in the Management Discussion & Analysis ("MD&A") section of this report from pages 26 to 45, but it bears repeating that we do not expect operating conditions to normalise in the foreseeable future. This will be particularly true for 2020 when a number of key global political developments are expected to take place, including the US Presidential Election and the UK's exit from the EU.

[1] According to industry statistics published by ISM Insurance Services Malaysia Berhad ("ISM") for the period from January – September 2019.

PROFIT BEFORE TAX
RM **414.7** MILLION

GENERAL INSURANCE OPERATIONS
RM **385.5** MILLION

DIVIDEND PAYOUT FOR 2019
70.0 SEN PER SHARE

LETTER FROM THE CHAIRMAN

So far as Malaysia is concerned, the level of global trade flows would have significant impact on our export and manufacturing sectors that would, in turn, have ramifications on the insurance business. Fewer projects and a lower level of manufacturing activity will moderate demand for project coverage which will affect the industry's Gross Written Premium. Volumes aside, shrinking margins as a result of greater competition arising from the liberalisation of the insurance sector will also affect earnings and the Combined Ratio of insurers.

Our plans are ambitious and will apply to our entire business: from the way we interact with our customers to the way we handle claims management and the way we design products. All stakeholders including our agents and employees will be integrated within our digital platform to create an entirely new distribution channel for Lonpac, and we expect to see it grow into an important source of revenue for us.

The LPI Group has so far weathered these two developments relatively well due in part to our long-standing relationships of trust with our stakeholders, as well as the measures we have taken to prepare for liberalisation. We recognised early on that we needed to take decisive steps to differentiate ourselves from our competitors both in terms of the way we design and price our products, and the way that we market to our customer segments. For these reasons, we have invested significantly into actuarial expertise, as well as in product development and marketing strategies. These are also discussed in greater detail in the MD&A and I invite you to read that section carefully for more information about our strategic objectives.

There are also indications that conditions may improve over the short- and medium-term as the Malaysian Government has, in 2019, resumed some of its large-scale infrastructure projects. The resumption of major projects such as the Light Rail Transit 3 ("LRT 3") project as well as the relaunch of the East Coast Rail Link ("ECRL") project are positive catalysts for the domestic economy which may have significant trickle-down effect on other areas of industry. Additionally, the launch of the Government's Shared Prosperity Vision 2030 ("SPV 2030"), an accelerated development plan for the country, may also be a positive catalyst as two of the key thrusts of the plan are to raise income levels and attract off-shore investment.

Over the long-term, the key challenge that we will face as an organisation is to remain relevant to our stakeholders in the new digital era with all the challenges and opportunities that it will bring. Already, we have seen certain functions of traditional financial institutions become obsolete or less relevant to technologically savvy customers. Indeed, we have seen the middlemen for many financial transactions such as securities trading become less relevant as technology has given consumers substantially more control over their financial portfolios.

To secure our relevance in the digital era, we announced our digital transformation plan in 2018, which will see a wholesale transformation of our operations to accommodate the emergence of new technology. Our plans are ambitious and will apply to our entire business: from the way we interact with our customers to the way we handle claims management and the way we design products. All stakeholders including our agents and employees will be integrated within our digital platform to create an entirely new distribution channel for Lonpac, and we expect to see it grow into an important source of revenue for us.

Operational risks aside, we continue to invest in our identified sustainability areas that affect our material issues and identified stakeholders. These have been disclosed in our Sustainability Report which is found on pages 46 to 71 of this report. I remain confident that the LPI Group is on a strong, sustainable footing for the long-term and we are looking forward to the future opportunities that will be presented to us.

LETTER FROM THE CHAIRMAN

EMBARKING ON INTEGRATED REPORTING

LPI has committed itself to adopting the Integrated Reporting <IR> Framework set by the International Integrated Reporting Council ("IIRC"), and expects to prepare an <IR> compliant integrated report by 2020. The Board and Management of LPI and Lonpac believe that this move towards <IR> is important for both our organisation and our stakeholders as the <IR> Framework improves the visibility of our value creation activities and encourages us to think beyond the confines of traditional reports. Specifically, <IR> requires that we think deeply about the impact of our activities on our stakeholders and also the actions that we are taking to ensure that our inputs remain sustainable over the long-term.

It is worth mentioning that our adoption of <IR> does not mean that we are changing our business fundamentals. The LPI Group's business approach has always prioritised sustainability and long-term viability over risky growth, and this approach is as much a matter of our corporate culture as it is a matter of our corporate strategy. Rather than changing the way we approach our commitments, <IR> is encouraging us to formalise and better structure our approach in measurable terms thereby giving our stakeholders greater clarity on how we deliver on our value creation commitments. Greater clarity, we believe, will become increasingly important as our business environment grows ever more complex and intertwined with the global market and the emergence of digital technology.

Although we are not scheduled to prepare our first <IR> report until next year, we have taken the initiative to incorporate <IR> elements in this report. In particular, we have focused our efforts on describing our value creation model and the way in which it is self-sustaining. In addition, we have also outlined our strategic goals in greater detail such that stakeholders are able to better discern our plans in relation to changes in the operating environment.

ACKNOWLEDGEMENTS

On behalf of LPI's Board of Directors, I would like to express our appreciation to the Management and staff of LPI Group for their continued dedication and effort to our cause. We recognise that the present operating conditions are less than ideal, and the commendable performance turned in this year is a credit to your ability and drive. We hope that we will continue to see you strive to your utmost in the coming year. The same goes for our network of agents who remain among our most important assets — we thank you for your service on our behalf and we hope that our relationship will continue to prosper as we continue on our journey forward together.

We would also like to express a special word of gratitude for our customers and shareholders who have remained loyal supporters of us all these years. We thank you for the faith that you have put in us — as a trusted provider of insurance and as an investment vehicle — and we endeavour to repay that faith through our value creation role. 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 look forward to another year of constructive discussion in regards to continued development of the general 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 guiding the Company. We would not have performed as remarkably as we did without your efforts. I look forward to having you by my side again in 2020.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Non-Independent Non-Executive Chairman

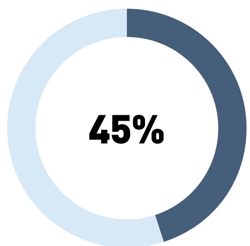
MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion & Analysis ("MD&A") section of this annual report provides a thorough discussion of LPI Capital Bhd's ("LPI") performance for the financial year ended 31 December 2019. As in previous years, this section contains qualitative and quantitative data that allow for the assessment and evaluation of the Company's performance for the year. The MD&A also discusses our value creation model and the way in which we create sustainable long-term value for our stakeholders.

This MD&A section differs from previous years' as we have begun to incorporate elements of the Integrated Reporting <IR> Framework as stipulated by the International Integrated Reporting Council into our report including the MD&A. Our goal is eventually to incorporate into our reporting as many of the best practices and guidelines stipulated by the <IR> Framework as are relevant to our business and to ensuring the integrity and transparency of our process.

GROUP BUSINESS AND OPERATIONS

LPI is an investment holding company involved primarily in the general insurance business through our wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac"). A leading general insurance company in Malaysia, Lonpac provides comprehensive insurance solutions for all classes of customers. LPI, which previously operated as the London & Pacific Insurance Company Bhd, was incorporated on 24 May 1962 and was registered as an approved insurer on 9 April 1963 under the Malaysian Insurance Act 1963. It was subsequently listed on the Second Board of the Malaysian stock exchange on 8 January 1993 before its listing was moved to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 17 January 1997.



LPI's business footprint extends overseas to Singapore where Lonpac has one branch, and also to Cambodia where it conducts **General Insurance Activities** through its **45%**-owned Campu Lonpac Insurance Plc.

Lonpac presently has an **8.36%**[1] share of the Malaysian general insurance market as at the end of September 2019.

LPI's insurance business in Malaysia and Singapore was transferred to Lonpac through a corporate rationalisation scheme on 1 May 1999. LPI's business footprint extends overseas to Singapore where Lonpac has one branch, and also to Cambodia where it conducts general insurance activities through its 45%-owned Campu Lonpac Insurance Plc. Campu Lonpac Insurance Plc is jointly owned with Cambodian Public Bank Plc and Public Bank Berhad. Lonpac presently has an 8.36%[1] share of the Malaysian general insurance market as at the end of September 2019. Meanwhile, Lonpac's influence in Cambodia and Singapore remain relatively 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 2019.

MANAGEMENT DISCUSSION & ANALYSIS

Our Value Proposition

Guided by our Business Vision – "To be the Preferred Premier Insurance Solutions Provider" – we have developed strong relationships of trust with our stakeholders since our establishment in 1962. This platform of trust, built on a platform of mutual respect and consistency, has been crucial to our success and has ensured the return of generation upon generation of customers. Core to our philosophy is the need to maintain the highest levels of corporate governance and ethical practice in all that we do whilst operating within the boundaries of prudent risk.

In the present competitive state of the Malaysian general insurance market, insurers that are able to provide the most attractive proposition in terms of innovative products and superior customer service set themselves apart from the rest of the competition. Lonpac is among the market leaders in the Malaysian general insurance market precisely because of our ability to differentiate ourselves in these areas. Some of our key strengths are:

We have developed strong relationships of trust with our stakeholders since our establishment in **1962.**

Lonpac is among the market leaders in the Malaysian general insurance market precisely because of our ability to differentiate ourselves in these areas.

Local Expertise

We are one of the few large locally-owned insurers in Malaysia, which gives us the advantage of a strong understanding of the culture and business philosophy of Malaysia. Additionally, as our management and Board of Directors ("Board") comprise local Malaysian professionals, we are able to leverage their expertise and relationships of trust to foster stronger relationships with our stakeholders. Finally, as a locally-owned insurer, our interests in Malaysia are directed towards the long term, which in turn orients our business strategy of achieving conservative, sustainable growth.

Product Differentiation and Market Segmentation

Lonpac has several advantages in terms of product differentiation and market segmentation. Chief among them is our strong agency network, which has been carefully nurtured and developed over the years. Our agents not only represent our main product distribution channel, but are also invaluable sources of feedback that help us to better understand our customers and their needs. This feedback is referred to our Product Development Committee, which tailors products and services for specific market groups according to their interests and needs.

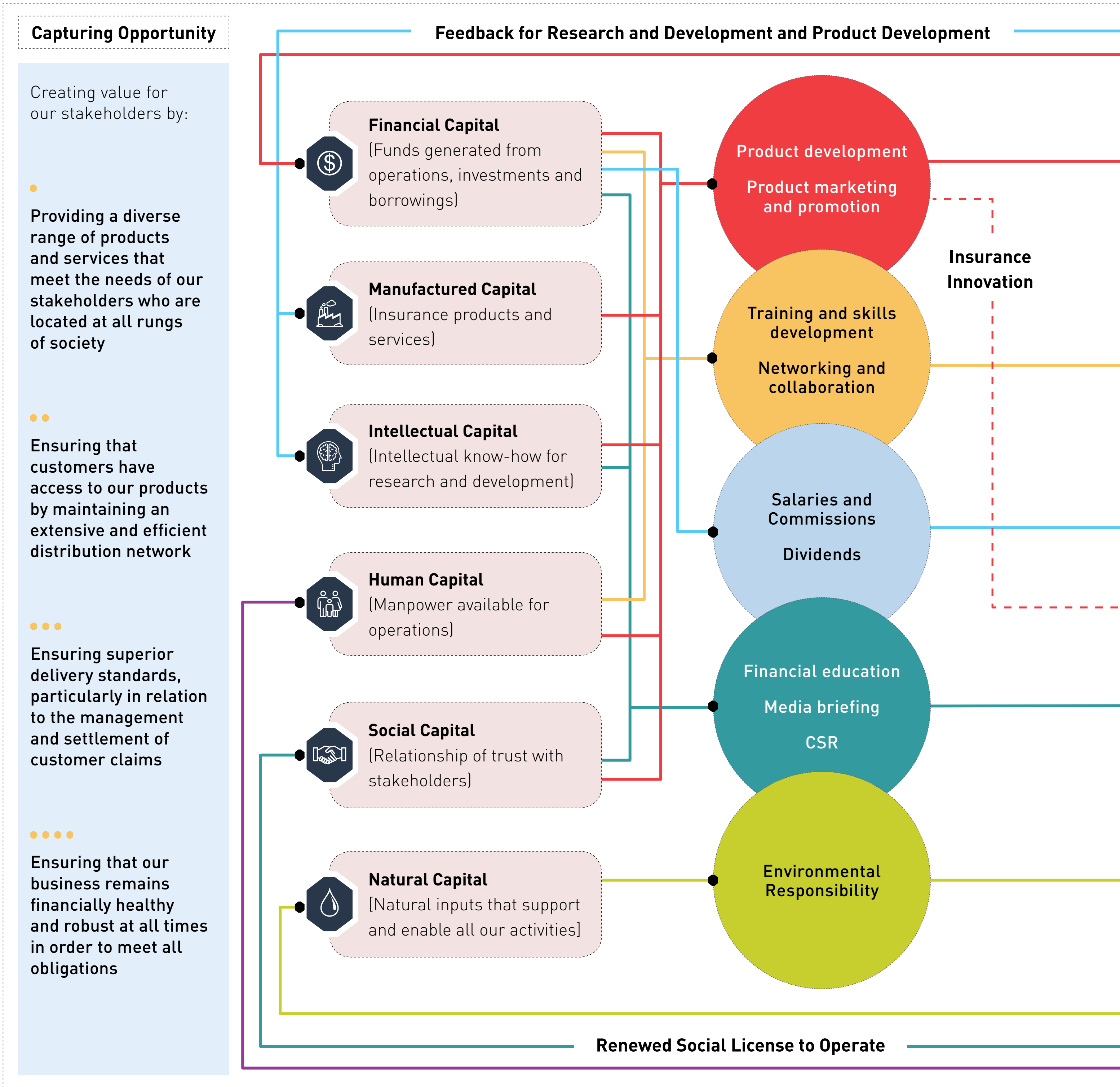
Customer Support and Service

We pay significant attention to the standard of our customer service, particularly in relation to the management of insurance claims. The claims process can be a stressful experience for claimants and hence we are constantly seeking to expedite our procedures to minimise disputes and settle open cases as quickly as possible. Our claims process is benchmarked against internal targets and assessed quarterly to ensure that it meets expectations. Our claims process is guided by our customer-centric philosophy which prioritises customer needs in all our interactions. This customer-centric philosophy applies to all levels of our organisation including our agents and employees.

MANAGEMENT DISCUSSION & ANALYSIS

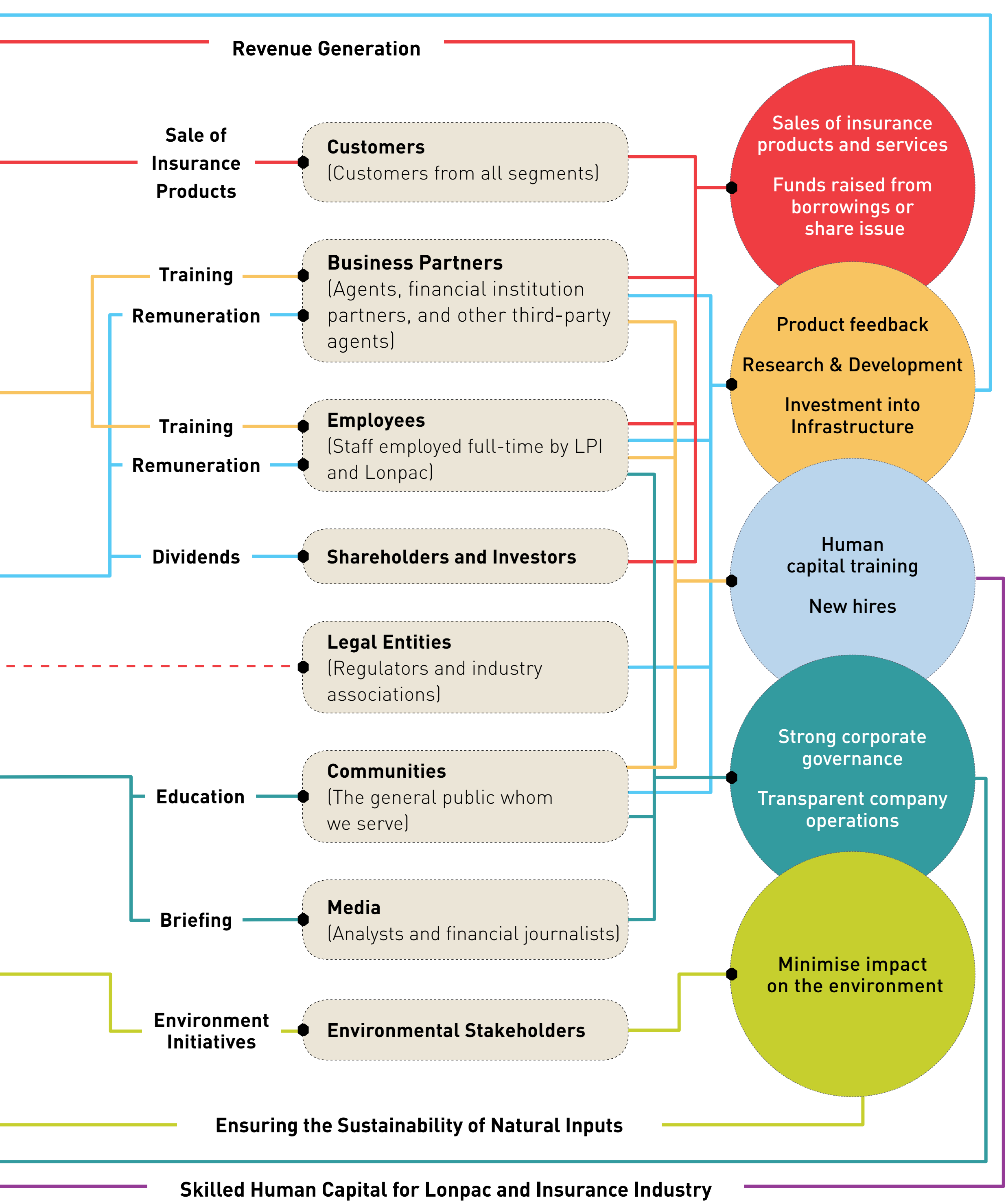
How We Create Value

We have built a self-sustaining value creation model that places our stakeholders at the centre of our value creation activities. These stakeholders in turn play vital roles creating the capital or input necessary for our value creation activities. The following diagram provides an overview of our value creation model and our relationship with our stakeholders.



MANAGEMENT DISCUSSION & ANALYSIS

Our value creation model demonstrates a sustainable cycle of inputs and outputs that captures the entire life cycle of our business activities. Capital inputs are consumed by our activities, which in turn create value for our stakeholders. These value creation activities subsequently generate returns that replenish our inputs. In regards to our Natural Capital, we invest in environmental conservation initiatives as part of our Corporate Social Responsibility ("CSR") programme in recognition of the impact of our activities on the environment.



For All Stakeholders

We create financial benefits for our investors and deliver economic and social benefits for our customers, our employees and the societies in which we operate.

- **Customers**

Providing financial protection and wealth creation.

- **Investors**

Growing dividends and share price performance enhance shareholder value.

- **Employees**

Providing an environment with equal opportunities, career potential and rewards, enabling us to attract and retain high quality individuals to deliver our strategy.

- **Communities**

Supporting communities where we operate, through investment in business and infrastructure, tax revenues and community support activities.

MANAGEMENT DISCUSSION & ANALYSIS

AWARDS AND RECOGNITION

LPI has received numerous awards over the years, and we are proud of the track record of excellence we have established. We would like to thank our stakeholders for their continued faith in us and for their support that has won us a number of accolades this past year. The following is a list of awards we received in 2019.

The BrandLaureate BestBrands Awards 2018-2019 for Most Valuable Brand in General Insurance *by Asia Pacific Brands Foundation (27 June 2019)*

Lonpac received The BrandLaureate BestBrands Awards 2018-2019 for Most Valuable Brand in General Insurance by the Asia Pacific Brands Foundation. Recipients of The BrandLaureate Most Valuable Brand Awards are recognised as market leaders with established international footprints and strong brand recognition. This was the 9^{th} consecutive year that Lonpac has received The BrandLaureate award.

Executive Recognition Award *by International Network of Insurance (1 July 2019)*

Insurance is an industry in which insurers from around the world collaborate in networks to develop solutions that will preserve the structural integrity of the finance sector and benefit their customers. Our strong dedication and extraordinary quality of service to the International Network of Insurance was recognised with the Executive Recognition Award in 2019.

MSWG – ASEAN Corporate Governance Awards 2018 *by The Minority Shareholders Watch Group (31 July 2019)*

Malaysia's Minority Shareholders Watch Group was established to protect the interests of minority shareholders of public listed companies in Malaysia through shareholder activism. It is an avenue of market discipline to encourage good corporate governance with the objective of raising shareholder value over time. LPI received the following awards at the MSWG – ASEAN Corporate Governance Awards 2018, which recognises the top public listed companies with outstanding corporate governance practices and disclosures:

- **Excellence Award for Overall Corporate Governance & Performance (3^{rd} in Overall Category)**
- **Excellence Award for Corporate Governance Disclosure (14^{th} in the category)**

RSA Global Network Gold Achievement Award 2019 *by The RSA Global Network (17 October 2019)*

The RSA Group is one of the world's oldest and leading insurers, and builds insurance networks and partnerships around the world. As a member of the RSA Group's Global Network, Lonpac is responsible for providing insurance support and services for the network in the Asia and Pacific region.

MANAGEMENT DISCUSSION & ANALYSIS

THE CHANGING LANDSCAPE OF THE MALAYSIAN INSURANCE INDUSTRY

In addition, we have accelerated our digital transformation strategy to leverage information technology to improve all aspects of our business, including product distribution, information dissemination, and data security. We are confident that the various measures we have taken, together with our customer-centric philosophy, will ensure that we remain a Malaysian insurer of choice and a sustainable creator of value to all our stakeholders.

Our insurance activities are mainly located in Malaysia where the general insurance industry is undergoing transformation in response to the graduated liberalisation of the sector. Under this move, tariffs on premiums have been or will be removed from the Motor and Fire Classes of business in phases to be replaced by prices determined by the insurers themselves.

Since the liberalisation plan was announced in 2016, the Motor Class of business has been de-tariffed, while the Fire Class, which was scheduled for liberalisation in 2019, continues to operate under tariffs with some flexibility in premium rating. The decision to delay the next phase of liberalisation of the insurance industry was made by Bank Negara Malaysia ("BNM") last year to ensure that all stakeholders are ready for the liberalised environment.

Since its implementation, liberalisation has posed new challenges to general insurance providers which have operated under a tariff structure for some 30-odd years. Under the new regime, insurers must now conduct their own assessments that take into account various business elements including coverage risk, profitability, and competition from other insurers. The new regime thereby allows for greater innovation and creativity on the part of the insurers, who must compete with each other in the open market to create products and services that meet market demand.

The new liberalised structure of the Malaysian general insurance market has proved to be an attractive proposition to foreign insurance companies, particularly those with established, mature businesses in other markets. With liberalisation, a number of these insurers have entered the Malaysian market to compete with existing insurers and have subsequently increased the level of competition. Meanwhile, local insurers with fewer resources who are unable to compete in a detariffed environment have started merging with larger players, leading to an overall consolidation of the market.

The greater competition in the market has caused a compression in the profit margins of insurers, but simultaneously created new opportunities for insurers who can quickly and effectively adapt to their new function and meet marketplace expectations. In responding to customer demands for greater value from their premiums, insurers have started taking innovative measures such as bundling insurance products, expanding their distribution channels, and otherwise improving their customer service. However, business sustainability remains a primary consideration for all insurers, who are tasked with striking a delicate balance between innovation and profitability.

Since the announcement of the liberalisation of the industry, Lonpac has taken a number of measures to meet the challenges before us while remaining competitive in the new environment. Specifically, we have focused substantial efforts on improving our pricing processes, and enhancing our Actuarial Department to ensure that our premiums accurately reflect the risk of our policies while remaining competitively priced for our customers. We have also ramped up our product development processes to ensure our new products better meet the needs of our customers, and are in accord with our overall business strategy. In addition, we have accelerated our digital transformation strategy to leverage information technology to improve all aspects of our business, including product distribution, information dissemination, and data security.

We are confident that the various measures we have taken, together with our customer-centric philosophy, will ensure that we remain a Malaysian insurer of choice and a sustainable creator of value to all our stakeholders.

MANAGEMENT DISCUSSION & ANALYSIS

OUR STRATEGY AND PROSPECTS

LPI has always maintained a prudent approach to underwriting risk and growing our business. This conservative approach will remain a part of our core DNA regardless of operating conditions, and stakeholders should not expect any changes in regard. Nevertheless, we do not remain unchanging in our strategic approach, but must be responsive to changes in the operating environment and overall regulatory structure.

Short- and Medium-Term

The short- and medium-term prospects for the general insurance industry in Malaysia will be dominated by two main factors: continuing volatility in global markets, and the ongoing liberalisation of the general insurance market. As we have seen over the past two years, the ongoing trade war between the United States and China, and the challenges of Brexit, have introduced uncertainty into global trade with traders unsure as to the market's future direction. Malaysia, with its export-dependent economy, has felt the impact of global uncertainty, although the Malaysian Government has maintained its growth expectation of 4.7% in 2019.

At the same time, the ongoing liberalisation of the general insurance industry will continue to have a margin-compressing effect as insurers transition from a tariff structure. While liberalisation will no doubt put the industry on a more sustainable footing, there will nevertheless be challenges to insurers' costs, product development, and marketing and promotion of services both during and after a period of adjustment. There will also be intensifying competition in the industry, as insurance providers will have to consider pricing as another factor in attracting and retaining customers.

This decline in economic activity will inevitably translate to reduced demand for insurance coverage as fewer projects mean fewer assets to underwrite. Similarly, weaker consumer confidence may mean fewer purchases of cars and property, both of which are key portfolio items for general insurers. Coupled with the stiffer competitive environment, insurers may see tougher operating conditions over the short- and medium-terms.

In addition to changes to the operating environment, liberalisation also brings new challenges in the area of recruitment. The move away from a tariff structure, particularly one that has been in place for over 30 years, entails a shortage of adequately skilled talent who are able to operate in a liberalised environment. In response to this shortage, we are enhancing our in-house training to better prepare our staff for the new standards and rigours of a detariffed environment.

Lonpac has taken measures to weather these short- and medium-term challenges as we recognise the coming years will not be business as usual. In response to these challenges we have enhanced our pricing and product development processes, as well as our market segmentation activities. The launch of new and niche products and development of products in collaboration with select partners have also helped us to build new customer segments that will offset any margin compression effect.

Initiatives introduced to manage the impact of liberalisation

Enhanced Actuarial Department	Improve our pricing of risk and ensure competitive but prudent pricing of premiums
Enhanced Product Development	Implement a Product Development Department which will work together with underwriters to ensure a more streamlined development structure
Enhanced Training Department	Enhance training and qualifications training for staff to operate within a liberalised environment
Products Aimed At New Market Segments	Develop new products that take advantage of a liberalised structure and offer bundled policies that target new market segments

MANAGEMENT DISCUSSION & ANALYSIS

Over time, we expect digital to become a key distribution channel for us, and for technology to increasingly be utilised as an asset for improving services, assisting sales, reporting claims, and innovating new products. Our long-term strategy is to transform ourselves into a digital company.

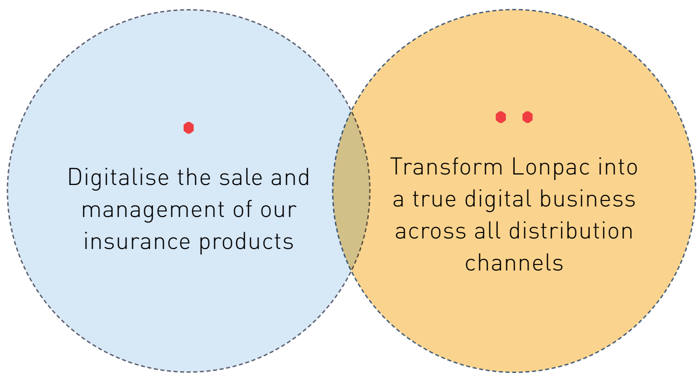
Long-Term

The biggest challenge that we face over the long-term will come from our steady digital transformation. The insurance industry, as with the financial industry in general, has undergone a significant shift in the way that it thinks about its business due to the increasing sophistication of digital technology. Over the last 20 years, technology has become increasingly integrated with day-to-day life. It has changed the way that we interact with one another, the way we work and play, and, importantly for us, the way that we manage our insurance and finances. Stakeholder expectations of their insurance providers have also changed, particularly with regard to the way that insurance is packaged, managed, and sold.

Malaysia, in line with global trends, is seeing the emergence of a new type of customer who is technologically savvy, relatively independent, and who would prefer to self-manage their financial matters through the use of technological intermediaries. These customers would much rather purchase their insurance coverage from the comfort of their own homes through their laptops or smartphones, and are happy to conduct their own research identifying the product most suitable to them. The expectation, then, is for insurance to become something that is readily available both in time and in space, and at a lower cost than possible through more traditional channels.

There will always be a need for traditional channels of distribution, but the digital transformation is not likely to reverse course. This means, effectively, that our customers will always come to us with new expectations; for example, to make products available through digital channels and to facilitate digital transactions. We are thus pleased to note that we have already taken the necessary first steps in this direction, having established a Digital Strategy Department in 2017 to enable these future changes.

Our Digital Strategy Department was formed with two goals in mind:



Our digital strategy is focused on developing solutions that leverage key digital channels including online and mobile platforms. Additionally, the back end of our systems will be enhanced to create a reliable and secure platform for digital transactions. We expect to launch our initial digital products in 2020, which will comprise basic, uncomplicated insurance policies. Feedback from the initial launch will subsequently be reviewed to help our Product Development Committee develop new products.

Over time, we expect digital to become a key distribution channel for us, and for technology to increasingly be utilised as an asset for improving services, assisting sales, reporting claims, and innovating new products. Our long-term strategy is to transform ourselves into a digital company.

MANAGEMENT DISCUSSION & ANALYSIS

LPI'S FINANCIAL PERFORMANCE IN FY2019

At a Glance

	2019	2018
Profit Before Tax (RM'000)	**414,719**	405,965
Profit for the Year (RM'000)	**322,361**	314,049
Basic Earnings Per Share (sen)	**80.92**	78.83
Total Assets (RM'000)	**4,045,890**	4,240,553
Total Equity (RM'000)	**1,971,899**	2,156,785
Return on Equity	**16.3%**	14.6%
Return on Assets	**8.0%**	7.4%
Operating Margin	**25.9%**	26.6%
Net Claims Incurred	**43.9%**	40.9%

Profit Before Tax by Segment

	2019 RM'000	2018 RM'000
General Insurance Operations	**385,508**	374,061
Investment Holding	**27,435**	27,889
	412,943	401,950
Share of profit after tax of equity accounted associated company	**1,776**	4,015
Profit Before Tax	**414,719**	405,965

The Group performed well against our competitors in 2019 as measured against several key benchmarks as tracked by ISM Insurance Services Malaysia Berhad ("ISM"). Some of the main performance comparisons include:

- Market position on Gross Direct Premiums (Motor & Non-Motor) – General Insurance for the period January – September 2019: Ranked 3rd

  (Source: ISM Statistical Bulletin)

- Classes of insurance where Lonpac was ranked in the top 3 for the period January – September 2019:

Class	Rank
Bonds	1
Contractor's All Risks and Engineering	1
Fire	1
Others	1

Class	Rank
Offshore Oil-related	2
Medical and Health	3
Workmen's Compensation and Employers' Liability	3

(Source: ISM Statistical Bulletin)

MANAGEMENT DISCUSSION & ANALYSIS

- Lonpac's Combined Ratio—the sum of incurred losses and expenses as a percentage of earned premiums—was 72.0% for the period January – September 2019 as compared to the industry average of 93.4%.

  (Source: ISM Statistical Bulletin)

- Lonpac's Management Expenses Ratio was 20.1% for the period January – September 2019 as compared to the industry average of 24.3%.

  (Source: ISM Statistical Bulletin)

We expect 2020 to remain a challenging year as insurance players continue to adjust to changes brought about by liberalisation. Continuing global trade turmoil may also dampen investor sentiment and affect economic activity in the country, while price competition is further expected to intensify. These challenges however may be offset should the Malaysian Government decide in the near-term to undertake any significant infrastructure projects.

Looking forward, LPI's Board remains confident that the Group's business strategies, healthy financial position, and commendable capital adequacy ratio are sufficient to ensure effective competition in our core business.

Financial and Market Conditions

Economic conditions continued to be affected by global market instability this year, with disruptive and unpredictable political tensions slowing growth and increasing the risk of economic shock. Weakened global trade flows had a notable impact on the performance of Malaysia's trade-reliant economy, and pitched sentiments in the country to multi-year lows. More troubling, 2019 was set to be another year of net outflow of foreign funds: according to MIDF Amanah Investment Bank Berhad Research, RM10.99 billion was to have left Malaysian shores as at 30 December 2019.

Although BNM held its overnight policy rate ("OPR") at 3% at its final meeting of the year in November 2019, the central bank is expected to ease its monetary policy in 2020 should economic conditions continue to deteriorate. However, the prospects of an agreement between the United States and China to roll back some of the tariffs that sparked the trade war may prove to be a positive catalyst. It remains unclear however at the time of writing whether this deal will happen.

Meanwhile, the World Bank and the International Monetary Fund have pegged Malaysia's GDP to grow at 4.5% and 4.4% respectively in 2020, in contrast to the Malaysian Government's more robust forecast of 4.8%. The Government's more optimistic prediction, defended in its Economic Outlook 2020, cites Malaysia's strong macroeconomic fundamentals — including its economic and export structure, labour market, and stable inflation — as key factors supporting economic expansion. The resumption of infrastructure projects is also expected to boost domestic demand and spur economic activity.

We recognise that we are operating in a period of volatility where prospects and operating conditions may improve or worsen with little warning. The last two years have been particularly challenging owing to the deteriorating business environment and ongoing challenges associated with the phased liberalisation of the general insurance industry.

Notwithstanding these challenges, we remain committed to our policy of prudential and organic growth despite growing competition in the marketplace. In adjusting to the new operating environment, we have enhanced our internal processes and started launching digital products to capitalise on a new segment of our market. We are confident that these strategies over the long term will allow us to create sustainable value for our stakeholders.

MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL MANAGEMENT

The management of the Group's capital holdings is guided by LPI Group's Capital Management Plan ("CMP") which is aligned with the Group's business strategy and existing regulatory requirements. The CMP contains a comprehensive list of triggers and contingency solutions that would be activated by specific catalysts or at prescribed levels of capital adequacy.

The CMP also assesses the risks and threats to the Group in these scenarios, and outlines appropriate responses with the intensity of response dependent on the event and the extent of capital threshold breach. The mitigating responses outlined in the CMP are aimed at restoring or maintaining normalised capital levels for the Group to ensure business continuity.

As at 31 December 2019, the Group's Capital Adequacy Ratio ("CAR") was 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 report on 1 November 2019 that Lonpac's risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio, remains at the strongest level.

Stress Testing

The Group's stress testing exercise is guided by BNM's *Policy Document on Stress Testing* to identify threats stemming from adverse financial or capital events. Our stress testing exercise takes into account both the current business environment and the Group's risk profile, within the context of the Group's existing business activities.

LPI Group's stress testing exercise was designed to be comprehensive, rigorous, and predictive, and is regularly reviewed by both Management and the Board. 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 Management and the Board are active participants in the stress test, and responsible for assessing the methodology, assumptions, and testing results.

The stress testing exercise conducted in 2019 concluded that the Group has sufficient capital to support its business requirements and to buffer against potential underwriting volatility. The new liberalised regime assigns greater risk management responsibility to insurers, and the Group is aware of its enlarged role under the new framework.

Dividend Policy

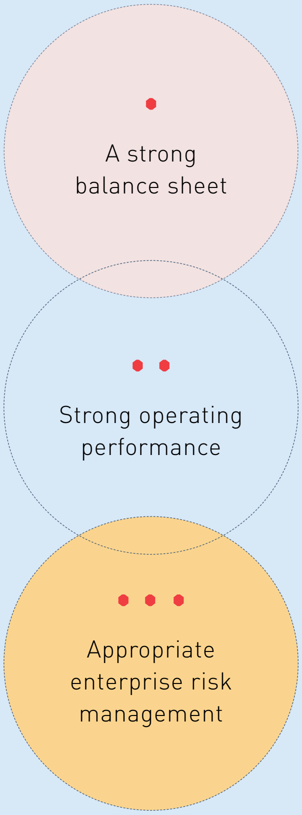
LPI Group has paid dividends to shareholders every year since listing in 1993. The Group's practice of regular and healthy dividend payout is consistent with its capital management strategy and is part and parcel of its overall reward to shareholders. The Group expects to continue this practice going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

External Benchmarking of Lonpac's Financial Strength

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

MANAGEMENT DISCUSSION & ANALYSIS

On 1 November 2019, A.M. Best affirmed Lonpac's financial strength rating of "A" (Excellent) and its issuer credit rating of "a" with a stable outlook on both ratings. The agency cited a number of Lonpac's strengths including:



In particular, A.M. Best lauded our continued efforts to enhance our pricing and risk selection capabilities, and to strengthen our distribution and product design. The agency noted that these initiatives would help to maintain strong underwriting and operating performance metrics within the new liberalised environment.

REVIEW OF OPERATING ACTIVITIES

LPI performed relatively well in 2019 within the context of a challenging operating environment that affected all industry players. Margins remained pressured due to greater price competition, as insurance providers continued to emphasise the growth of their domestic market share even as demand for insurance weakened during the year. Similarly, costs rose as providers adjusted their operations to meet the demands of the detariffed environment. Combined ratios remained challenged in consequence as a result of slimmer margins and the higher cost of doing business.

Industry statistics published by ISM indicated a 1.0% decline in Gross Written Premiums ("GWP") for the year until September 2019, while the industry's overall combined ratio deteriorated to 93.4% from 91.4% for the same period in the previous year. Lower demand for insurance coupled with higher claims affected the overall underwriting performance of the industry, which continues to adjust to liberalisation.

Lonpac continued to buck the trend in 2019, with GWP growing by 3.7% during the year against the industry's average decline rate of 1.0%[2]. At the same time, Profit Before Tax ("PBT") increased 2.1% to RM414.7 million in 2019 from RM406.0 million in the previous year, with PBT contributions from our general insurance operations growing 3.0% to RM385.5 million from RM374.1 million a year ago. The greatest area of growth was seen in our Marine, Aviation and Transit Class of business, which posted growth of 25.6%. Our Motor business also grew admirably during the year, increasing 7.1% in 2019. Meanwhile, contributions from our investment holding operations decreased 1.6% year-on-year, contributing RM27.4 million to Group PBT. This decrease is due mainly to higher management expenses.

As at 31 December 2019, the Group's total assets comprise cash in hand, balances and deposits with banks totalling RM186.2 million. These assets bear insignificant risk of changing 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 RM3.7 million, which is not consequential to the Group's financial position. There were no changes to the capital structure and resources of the Group in 2019.

The financial result of the previous year suggests two important conclusions: that our post-liberalisation strategy and portfolio management is effective, and that our organisation is sufficiently nimble to take advantage of new opportunities when they present themselves. Specifically, the results point to the success of our product development and market segmentation activities, and to the effectiveness of our distribution channel. Further, they offer clear evidence that our strategies have worked despite continuing pressures on pricing and market share.

[2] ISM Statistical Bulletin for the period January – September 2019.

MANAGEMENT DISCUSSION & ANALYSIS

Underwriting

Our Underwriting Division is responsible for the following:

- Assessing and underwriting risk
- Providing technical advice to agents and clients
- Determining insurance terms and conditions
- Preparing policy documentation
- 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. The Division works closely with the Sales Team to deliver effective policies and technical support to address customer concerns and feedback. As part of our effort to streamline reporting lines and increase the efficiency of our underwriting capabilities, the Health and Accident Department was integrated into the Underwriting Division in 2019.

Under the liberalised Malaysian general insurance framework, the Underwriting Division has taken on more responsibilities in developing new Fire and Motor products, and enhancing existing offerings. With the current emphasis on digital at Lonpac, the Underwriting Division has begun collaborating closely with the Digital Strategy Department to establish our new online distribution channel, and to implement the use of e-policy documents and the automation of manual processes.

At the same time, underwriting has become more challenging in the context of liberalisation as products are now benchmarked against those of competitors in terms of product coverage, pricing, and delivery. This in turn requires our staff to have the enhanced skillsets, knowledge, and capabilities to determine appropriate products given existing market conditions, as well as the necessary analytic and underwriting skills to find balance between risk-taking and profitability. We evaluate our underwriting results monthly, and review any loss-making accounts to determine if risk can be better managed.

New products launched by the Underwriting Division during the year include two Fire products, three Personal Accident products, two Motor products, and a niche Hospital and Surgical health product designed specifically to offer protection against cancer.

Underwriting Division Performance Benchmarks for FY2019

The key benchmarks tracking the performance of the Underwriting Division are the total value of underwriting profit and changes in the Company's loss ratio. In 2019, Lonpac wrote RM305.1 million in underwriting profit, which is 0.5% higher than the RM303.5 million posted in 2018. Meanwhile, its combined ratio increased to 69.8% from 67.3% due to a corresponding increase in the Company's net claims incurred ratio and net commission ratio.

2019 Achievements

- Issuance of e-policy documents
- Efficient monitoring of Marine Open Cover declaration
- Seamless policy processing on simple risk or policy with low sum insured for faster turnaround time of policy processing

MANAGEMENT DISCUSSION & ANALYSIS

Moving Forward

- Reduce printing costs by embarking on e-policy initiatives
- Premium growth in targeted segments including Fire, Marine Cargo and Personal Accident classes of business
- Improve policy turnaround time
- Develop specialised underwriters/ risk surveyors with expertise in targeted industry segments
- Further enhance the use of e-policy documentation to reduce environmental impact and cut printing costs

RM **305.1** MILLION in **Underwriting Profit**, which is **0.5%** higher than the RM **303.5** MILLION posted in 2018.

Combined Ratio increased to **69.8%** from **67.3%**.

Agency Network

Lonpac's network of agents remained the single largest contributor of gross premium income in 2019, contributing RM662.8 million, a figure largely unchanged from the previous year. The importance of our agency network as a channel of distribution has grown in tandem with the competitiveness of the market as we rely on our agents to clearly and effectively communicate our value proposition to our customers.

The Agency Department is responsible for recruiting, training, and retaining agents. Agent retention is a key priority for us as we depend on the skills and abilities of experienced and trained agents to identify our customers' needs and to match them with the right products. To improve retention, we have refined our incentive programmes over the years to better motivate and encourage greater performance from our agents. These programmes include sales incentive campaigns for select business classes, as well as international sales conventions for eligible agents.

Lonpac is committed to the sustainable growth of its network of agents, and bases its agent recruitment on its business needs. A total of 422 new agents were recruited in 2019 bringing our total number of agents to 3,025.

In recent years we have focused on recruiting technologically savvy agents as part of our digital transformation strategy. The objective of assembling this skilled group of agents is to better meet the evolving needs of our customer demographic and to engage with the digital back-end of our system. We expect sales from our digital channels, including online and mobile, to improve with the help of these agents.

Lonpac organises annual conventions in recognition of the achievements and efforts of our top-performing agents. In 2019, we held conventions for our Titanium, Platinum, and Gold Masterclub award winners in Moscow – St Petersburg, Russia; Tokyo, Japan; and Seoul, Korea respectively. Membership in the Masterclub is always changing as membership is awarded based on agents' performance in relation to their premium volume, profitability, and ability to build a balanced portfolio. In 2019, Lonpac recognised 199 agents as Masterclub Members. An initial 16 Masterclub Members were identified when the programme started in 2006.

Broking & Global Partnership

Broking

Lonpac's Broking Unit provides coverage of a wide variety of commercial and specialised risks, ranging from property construction to infrastructure development and industrial projects. To secure these projects, Lonpac participates in the Scheme for Insurance of Large & Specialised Risks ("SILSR"), which facilitates the provision of the most favourable cover at internationally competitive terms for Malaysian risk owners. To achieve this end, SILSR promotes the optimum retention of Malaysian risks with reinsurance placed for the best national advantage.

MANAGEMENT DISCUSSION & ANALYSIS

Lonpac is actively involved in the SILSR, and works closely with both international and local brokers to provide lead terms within our philosophy of prudent risk selection, underwriting, and management. The Broking Unit also plays a significant role in our in-house product development process and functions as a liaison between our development team and brokers.

As with Lonpac's other business units, the Broking Unit has changed its approach under the new liberalised regime and has been working closely with other departments to develop competitive products. Since the implementation of liberalisation, the broking business in Malaysia has become increasingly competitive due to the entry of large players into the market. The decision by the Malaysian government in 2019 to review its planned delivery of large infrastructure projects has also reduced demand for project coverage.

The GP Unit wrote GWP totalling RM **126.0** MILLION in 2019, representing an increase of **15.0%** from RM **109.6** MILLION a year ago.

In response to these developments, Lonpac's Broking Unit has made a strategic shift to prioritise business from the Small & Medium Sized Industry ("SMI") and from personal lines of business. Our focus under this new strategy is to develop specifically tailored products including digital offerings and innovative personal coverage. Our aim is to convince brokers to view us as a 'one-stop insurance centre' and as household brand name for personalised lifestyle products.

Meanwhile, the Broking Unit will continue to bid for high-impact economic projects such as the One Belt, One Road initiative, as well as mega-risk projects including the Penang Master Transportation Plan and the new MRT lines.

Global Partnership

The Global Partnership Unit ("GP Unit") works together with its network of international partners to develop specialised global multinational programmes, such as Cyber Risk Coverage. Leveraging our established presence in Singapore and Cambodia as platforms to extend our regional reach, we also work to attract new global partners to expand our expertise and to diversify the overall composition of our network.

Our relationship with our global partners is a true collaboration in that we share our skills and expertise to develop depth and breadth in our knowledge base, particularly in emerging new exposures. We also leverage new developments, such as Malaysia's liberalisation, to offer new products to our global partners to help them win local accounts and to cement our working relationships with them.

However, even as we to build our network of international partners we remain focused on our immediate priority of improving processing efficiency through the greater use of technology in our own systems. Our global business competes with some of the largest providers in the world, and it is critical that we ensure our service standards and operational excellence are best-in-class.

The GP Unit wrote GWP totalling RM126.0 million in 2019, representing an increase of 15.0% from RM109.6 million a year ago.

Financial Institution

The Financial Institution ("FI") Department works with the LPI Group's FI partners, primarily Public Bank Berhad ("PBB"), to develop and offer insurance solutions for the FI's clients. The FI Department is mainly involved in providing fire coverage for residential, commercial, and industrial properties, and develops customised insurance products to meet clients' needs. It also works collaboratively with FIs to explore new areas of business and to cross-sell non-mortgage-related insurance products. As the FI's insurance provider, we are focusing on developing differentiated products for specific segments of the FI's client base, and on ensuring the seamless processing of policies without additional support from the FI.

Contributions from FI Department totalled RM375.0 million for the financial year under review, representing a 0.6% decrease under the previous year. Income from the FI segment accounted for 24.6% of total gross premium income for the past year.

MANAGEMENT DISCUSSION & ANALYSIS

Both the property and car markets remained sluggish in 2019, which affected the contributions of the FI Department. Despite these challenges, the FI Department managed to achieve its KPIs for the year due to careful operational oversight. 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 is looking to implement end-to-end electronic delivery of all documentation, from the proposal stage to the issuance of policies.

Claims

The claims environment has recently grown more complex owing to a number of different factors. Growing competition, and the increasing ubiquity of digital technology, have led to greater customer demand for speed and efficiency in processing claims. These are serious challenges, but it is crucial that we respond to them and keep pace with customer expectations. The claims process represents the pivotal moment where we, as an insurer, most directly fulfil our obligations to our customers. Responding to claims with ease, speed, efficiency, and delicacy is the cornerstone of upholding our customer relationships, as well as increasing referrals and building our brand in an increasingly competitive market.

To meet these demands, the Claims Department maintains a high standard of operational efficiency to develop robust and sustainable outcomes. Our strategy is to make small, incremental improvements on a continual basis to optimise our goals rather than risk our sustainability on large, untested investments. With a dedicated and competent staff, as well as resources in place to develop expertise through internal training, promotions, and re-assignments, we are confident we are well-positioned to meet our obligations and fulfil our customers' expectations.

The Claims Department leverages technology to facilitate the efficient delivery of several tasks including:

Communications with claimants

As the claims process requires constant communication with claimants, it is in our interest to anticipate claimants' needs to exceed their expectations. Technological developments facilitate such proactive communication by allowing us be in touch with claimants through whatever channel they might prefer.

Data analytics to detect fraud

In applying advanced analytics to the extensive data we have accumulated over the years, we are able to predict to a high degree of accuracy optimal claims outcomes. With analytical data the Claims Department is able to improve the quality of its claims service while reducing claims leakages and incidents of fraud.

Development of new administrative tools

By forming strategic partnerships with service providers we have gained access to new tools on robust inter-business networks and communication systems. These new technologies help us to reduce administrative burdens, streamline the claims process, and improve operational efficiency, effectively reducing our cost of claims management.

In addition to these applications, we are investigating how digitisation and automation can minimise blind spots in our assessments and reduce the administrative functions of claims personnel and loss adjusters. For all the opportunities afforded by technology, however, human intervention remains essential to our claims process. Complex claims, and customers' satisfied interactions with our processes, require the sound judgement and reassurance that can only be offered by skilled human capital.

MANAGEMENT DISCUSSION & ANALYSIS

Challenges Going Forward

There are a number of factors compounding the challenge of processing and paying claims efficiently and effectively, including increasing medical costs, more complex products, and a shortage of skilled insurance professionals. In addition, litigation costs have become one of the greatest expenses affiliated with liability claims, while claims costs continue to increase owing to medical inflation and fraud.

Early indicators of potential legal action can help us better manage and mitigate associated costs. By flagging early in the adjudication process claims that are likely to wind up in court proceedings, we are able to try for settlement sooner, which is generally a positive outcome for all parties involved.

The threat of fraud is ever-present in insurance, yet relying on past patterns to predict future exposure is often ineffective. As such, in the course of our investigations we are presently leveraging new sources of digital data such as claimants' social media activities. By identifying potential fraud more quickly in this manner we can more promptly forward suspicious claims to investigators. In addition, we are also working closely with ISM's Fraud Intelligence System, which is a fraud detection system that evaluates for potential fraud every time data is added or changed in a claim. Such ongoing reassessments of claims, beyond a regularly scheduled fraud rescoring process, enables loss adjusters to investigate and address claims to obtain more optimal outcomes.

The productivity of the Claims Department is measured by the number of claims that are settled per staff member during the year. In 2019, productivity improved with 1,534 claims settled per staff member as compared to 1,462 claims as recorded in 2018.

Details of the claims registered and settled in 2019 are as follows:

	No. of claims registered		No. of claims settled	
Class	2019	2018	2019	2018
Fire	**3,904**	3,781	**1,880**	1,851
Marine	**822**	837	**469**	523
Personal Accident	**3,819**	4,237	**2,703**	3,246
Miscellaneous	**15,071**	7,356	**7,593**	6,424
Health	**12,822**	11,874	**10,769**	9,589
Workmen's Compensation	**1,110**	1,408	**450**	579
Motor	**28,381**	25,087	**15,844**	13,616
Liability	**1,252**	1,203	**288**	316
Bond	**161**	123	**119**	90
Aviation	**1**	1	**0**	0
Engineering	**993**	900	**291**	316
Total	**68,336**	56,807	**40,406**	36,550

MANAGEMENT DISCUSSION & ANALYSIS

Information and Communications Technology ("ICT")

Lonpac's Information Technology ("IT") Department plays an integral role supporting business growth and initiatives by facilitating operations, productivity, and data security. The Department is also responsible for maintaining systems integrity and protecting client privacy. Our IT infrastructure is constantly reviewed, even as we strengthen our IT platform through the deployment of innovative technologies and regularly upgrade our existing systems.

The IT Department's activities in 2019 include:

Facilitating the Development of New Products

The IT Department played an essential role in the development of new product offerings in 2019. Products launched include:

- **Personal accident and travel products**

  To keep abreast with changing trends and lifestyles, new Personal Accident ("PA") products such as PA SecureMas and Travel Secure PA were launched in the first half of 2019.

- **Coverage for e-Hailing drivers**

  A new product for e-Hailing drivers was launched after implementing an optional new extension for our Motor products. With this policy, e-Hailing drivers can now be insured against covered losses associated with the vehicle, driver, and passengers.

- **Product system for Motor customers**

  A new product system was implemented in April 2019 for motor insurance customers to provide additional benefits such as car replacement allowance, key care cover, and additional cash payout for total loss or theft claims.

Online Services Integration

To complement our digital transformation, we have made available essential integration services to facilitate online insurance purchases that ensure customers enjoy a seamless online experience. These include integrating insurance premium computation, policy generation, and document viewing with our online service. We have also integrated an online Payment Gateway for some of our business partners to enable the payment of premiums online. These services will continue to be enhanced and improved as we continue to expand our product offerings.

Making these services available online is an essential part of our digital strategy to establish digital as a standalone distribution channel. Such a channel enables customers to manage their policy coverage from end-to-end through digital means, including purchasing their policy, managing their coverage, renewing their coverage, and making claims. Developing a reliable back-end platform is essential for this service and will remain a priority for the IT Department going forward.

MANAGEMENT DISCUSSION & ANALYSIS

Systems Enhancement

The IT Department routinely carries out systems enhancement to ensure the continuous improvement of our intermediaries' and customers' interactive experience with us. These enhancements introduce incremental improvements into our operations in terms of functionality and efficiency. Our improvements made during the year are as follows:

- Enabling direct auto-crediting of premium refunds to select FIs, allowing for speedier settlement of outstanding refunds.
- Providing standing instructions for credit card transactions for our Secure Protector product, ensuring that purchasers of the product enjoy peace of mind from continuous coverage.
- Upgrading the database systems for Lonpac's Human Resource and Agent Messaging Systems, in line with our corporate risk management strategy to keep our systems updated and protected from known security vulnerabilities.
- Upgrading our email system with additional features to improve stability and reliability, while keeping our communications secure and protected from unauthorised viewers. The upgrade also ensures greater efficiency and speed of communication via email.
- Implementing new technology that facilitates more cost effective and comprehensive backup solutions. As Malaysia's third largest general insurer, we deal with substantial amounts of data that need to be backed up on a regular basis. This improvement automates and optimises backup and recovery processes, improving reliability, data availability, future extensibility, and performance.
- Upgrading all PCs to operate more reliable and more secure software. In line with the planned obsolescence of the Windows 7 Operating System ("OS") in January 2020, we initiated a project to upgrade all PCs currently running the OS. This upgrade gives our organisation full access to patches and software updates ensuring smoother operations and better security.

Data Security

As the use of technology rapidly expands, so does the risk of cyber threat. To mitigate the risk of data breaches or cyber encroachments, we implemented Security Monitoring Services which provides 24-hour monitoring of our security infrastructure by certified security analyst professionals. Security Monitoring Services also strengthens our overall infrastructure security, as it has access to up-to-date, worldwide cyber threat intelligence and known vulnerabilities.

The importance of data protection increases as the volume of data created and stored grows rapidly. In order to safeguard important and critical data from being compromised or lost, Lonpac has enhanced its encryption solution by implementing file-level encryption to ensure data stored in PCs and laptops are well protected.

OUTLOOK AND MOVING FORWARD

The outlooks of the Malaysian and global economies remain uncertain, with several undetermined key global developments expected to set the pace for the coming year. Closest to home is the ongoing trade war between the United States and China. While it appears at the end of 2019 that some preliminary resolution may have been reached, the capricious nature of foreign policy continues to cloud the future.

Malaysia, as an export-oriented market, has felt the impact of weakened trade flows as reflected in responses to surveys of business conditions. One benchmark of sentiment is the Malaysian Institute of Economic Research's ("MIER") Business

MANAGEMENT DISCUSSION & ANALYSIS

Conditions Index, which fell to its lowest level since 2008 in the third quarter of 2019[3]. The think tank's Consumer Sentiment Index meanwhile fell to 84 points, which is the index's lowest reading since the fourth quarter of 2017.

Despite the bearish sentiments, the Malaysian Government has said it expects the economy to remain resilient in 2020, predicting in its Economic Outlook 2020 report that GDP will grow by 4.8%, with growth supported mainly by domestic demand, private investment, and the resumption of infrastructure projects. The Government has also said it expects household spending to remain resilient given the stable labour market, while the domestic manufacturing and services sectors are predicted in the coming year to continue capital expansion.

Outlook for the Insurance Industry

The liberalisation plan of the general insurance industry continues to be the main determinant of our prospects looking forward. While BNM has decided to postpone its decision on the next phase of liberalisation, we expect to see margins from our Motor Class continue to compress as competitors refine their approach to product development and distribution. We will likewise do the same in this highly competitive environment.

On the plus side, the Government's announcement of the resumption of infrastructure projects will likely be a positive catalyst for the industry, although we expect stiff competition for projects given the present number of global insurers in the Malaysian market. Nevertheless, we believe that the value proposition and the expertise of our Broking and GP Units are more than sufficient to make us competitive for these large projects, and we look forward to contending for projects suitable to our risk profile.

The outlook for property sales is less clear. The Malaysian property market has been lacklustre of late, and with the Government's Home Ownership Campaign having expired at the end of 2019, along with weakened consumer demand, there are few clear catalysts to spur property purchases. This may have an impact on our Fire Class of business, although the Government's decision to lower foreign ownership of houses valued at RM600,000 or more in urban areas may create a small bump.

We expect these challenges to be present however only in the short- to medium-terms, with long-term prospects for the Malaysian insurance sector remaining positive. Study after study has shown that Malaysians are underinsured, and insurance assets under-represented (relative to developed economies) in terms of total assets in the Malaysian financial system. Additionally, the ongoing professionalisation of the industry will see more skilled insurance professionals entering the sector which will be a positive for the industry as a whole.

LPI believes that our strong financial position and presence in the Malaysian market is more than sufficient to weather all near-term challenges, and that we are well-situated with the necessary base to take advantage of future opportunities. Indeed, our ongoing digital transformation puts us in even better position to capitalise on long-term developments, even as we continue to refine our claims and underwriting practices.

[3] Retrieved from www.mier.org.my

SUSTAINABILITY REPORT

A Note from the CHAIRMAN OF THE BOARD

Dear Stakeholders,

The continuing and intensifying volatility of the business environment has put the question of sustainability front and centre in the minds of all stakeholders. We have seen these past years how operating conditions can change quickly and without warning, particularly where global trade and politics are concerned. The sustainability challenge for organisations, and for us in the LPI Group, is to ensure that our value creation activities remain uninterrupted regardless of changes in the operating environment.

SUSTAINABILITY REPORT

The LPI Group, as one of the oldest insurers in Malaysia, has demonstrated over the past 50-plus years that our business approach is indeed sustainable. In fact, we can confidently say that sustainability has always been a cornerstone of our organisation and that we approach all our activities — from transacting business to managing risk and developing our communities — with the same sense of caution. In every case, we emphasise the need for prudence, and maintain that growth should be organic not induced.

Over the last few years we have disclosed our efforts to make our business even more sustainable in line with the guidelines stipulated by the Malaysian stock exchange operator Bursa Malaysia Securities Berhad ("Bursa Securities"). To allow for greater benchmarking and comparison of our non-financial performance across the insurance industry, we have disclosed our materiality indicators as well as our list of stakeholders. In particular, we have demonstrated the way we create value for these stakeholders in line with the high expectations they have of us.

As building greater sustainability is an ongoing exercise, we have continued to refine our sustainability practice and reporting to develop more robust and comprehensive policies, and to ensure that we maximise the value that we create for all our stakeholders. Our sustainability policies also ensure that the resources we use in our value creation activities are renewable, thereby ensuring that our ability to create value remains uninterrupted despite changes in the operating environment.

In 2019, the LPI Group focused our efforts on making the transition to an integrated report in line with the <IR> Framework as stipulated by the IIRC. We are due to publish our first <IR> compliant report for the 2020 financial year, and have started building the necessary platform to do so. While we have most of the data and elements required by the IIRC, the <IR> Framework requires explicit statements detailing specific sustainability initiatives in relation to material issues. Because of this requirement, we made the decision to retain our existing list of material issues and stakeholders, and are working towards reporting them in line with the <IR> Framework. More information about this transition is available in the MD&A section which can be found on page 26 of this report.

The LPI Group, as one of the **oldest insurers** in **Malaysia**, has demonstrated over the past **50-plus years** that our business approach is indeed **sustainable**.

In 2019, the LPI Group focused our efforts on making the transition to an integrated report in line with the <IR> Framework as stipulated by the IIRC. We are due to publish our first <IR> compliant report for the 2020 financial year, and have started building the necessary platform to do so.

Moving forward, we expect to see some changes to our Sustainability Report that will dovetail with <IR> best practice. We also expect to see improvements in our materiality assessment and stakeholder prioritisation exercises. We believe transitioning to an integrated report will help our stakeholders better assess our value creation activities and give our investors greater clarity on our activities during the year.

I would like to thank the Management and staff of the LPI Group for their efforts in preparing this Sustainability Report. As mentioned at the start of this note, we indeed operate in volatile times, and sustainability is becoming increasingly important. Our goal is to maintain the high levels of sustainability that have seen us through the past half-century, to keep us in good stead for the coming challenges.

Thank you.

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

SUSTAINABILITY REPORT

ABOUT THIS SUSTAINABILITY REPORT

This Sustainability Report discloses material sustainability issues and impacts arising from the activities of the LPI Group. 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 also chairs the Sustainability Committee.

This Sustainability Report was prepared in line with the guidelines provided by Bursa Securities. All efforts have been made to provide thorough and comprehensive disclosure of the impact of our activities. As with our previous Sustainability Reports, we continued to improve our reporting practices by amending our definitions and processes in tandem with changes to our sustainability framework. Where relevant, these changes will be noted in the main text of the report or in a corresponding footnote.

We define material sustainability issues as issues that may positively or negatively affect the Group's ability to realise our business vision to be Malaysia's preferred premier insurance solutions provider. Material sustainability issues also include issues that may arise from our activities or which may have an impact on all our stakeholders including our customers, business partners, employees and regulators. A list and discussion of our stakeholder groups is available on pages 51 to 52 of this report.

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

REPORT SCOPE

The scope of this report includes the sustainability impact of the operations and initiatives of LPI's wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac"), which is responsible for the vast majority of our operations. This report also considers the sustainability impact of our operations in Singapore, which are also managed by Lonpac. We have not included in this report the sustainability impact of our operations in Cambodia, which are managed by our 45%-owned associated company Campu Lonpac Insurance Plc.

In circumscribing the scope of our sustainability report, we have identified the roles we play as a general insurance provider in relation to our stakeholders. Our key value creation roles are as follows:

- Providing insurance coverage for individuals and industry, 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 813 staff and 3,025 agents in our operations in Malaysia and Singapore.
- Supporting organisations that actively work towards enriching and empowering the less fortunate in society.
- Creating value in the form of investment returns for our shareholders and investors.
- Supporting the development of the Malaysian insurance industry in our dealings with regulators, business partners, and other insurers in the field.

SUSTAINABILITY REPORT

OUR CORE VALUES

Lonpac's sustainability framework is built on a set of core values which 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:

1. Aspire to be the **LEADER** in the insurance industry in Malaysia and in the region.

2. Commitment to **OPERATIONAL EXCELLENCE** guided by integrity and professionalism.

3. Creating **NEW AND INNOVATIVE** market-relevant insurance products.

4. **PROVIDING** a fair, caring and merit-based working environment.

5. **ADOPTING** a proactive and accountable approach to stakeholders.

6. **CRAFTING** a premier insurance brand identified for good corporate governance and corporate responsibility.

MANAGEMENT APPROACH TO SUSTAINABILITY

We believe that sustainability is the responsibility of our staff at all levels of our organisation. Nevertheless, we recognise that sustainability must be championed through example. We thus take steps to ensure that our sustainability practices begin at the very top of our organisation with our Board and Senior Management, and extend all the way down to our on-the-ground staff and business intermediaries and partners. The responsibility for executing our sustainability policy falls mainly on Lonpac, which is the executive arm of the LPI Group.

As our executive arm, Lonpac is best positioned to identify our sustainability needs, and to formulate strategies and execute initiatives in response to those needs. Meanwhile, the Group as a whole is responsible for our interactions with our stakeholders, which take on various forms depending on the stakeholder in question and the nature of our relationship with them.

Our obligations to our stakeholders are grounded in the Economic, Environmental and Social ("EES") dimensions of sustainability practice, which correspond to the various impact areas of our value creation activities. Anchoring these activities is our sustainability management framework, 'Lonpac Cares'. The following table provides an overview of our sustainability management framework and outlines the EES impact of our activities and our stakeholders.

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

We believe that developing these four sustainability areas is vital to the continued long-term commercial success of the LPI Group, and to help create sustained value for our stakeholders. These areas also delineate our initiatives and policies, and guide our entire sustainability practice.

Additional details about Lonpac Cares and our initiatives can be found on pages 55 to 70 of this report.

SUSTAINABILITY REPORT

OUR SUSTAINABILITY GOVERNANCE STRUCTURE

The LPI Group's sustainability practice is overseen by the 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 reporting its findings to the Board. The Board is represented on the Sustainability Committee by a director who is appointed as Chairman of the Sustainability Committee. Other senior management of the Group including Lonpac's 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 Group's sustainability initiatives, and is responsible for realigning the Group's sustainability policy based on feedback and new findings. The Committee 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:

i Identify 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.

ii Liaise with the Board

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

b. **Seek Board approval on sustainability initiatives and policies**
As the highest governing body, the Board is responsible for assessing and approving sustainability matters. The Sustainability Committee is responsible for presenting identified sustainability issues to the Board and recommending policy changes in alignment with business strategy. The Board, in turn, is responsible for assessing, reviewing, and approving proposals. The Board is also responsible for endorsing the overall sustainability vision and strategy.

c. **Report on sustainability progress**
The Sustainability Committee reports to the Board on the progress of sustainability initiatives against identified goals. The Board is responsible for reviewing and assessing the results presented to them, and for directing adjustments as it deems appropriate.

SUSTAINABILITY REPORT

Developing our Sustainability Vision and Strategy

The Sustainability Committee, in consultation with the Board as well as other stakeholders, is responsible for developing the Group's sustainability vision and strategy. The strategy is aligned with the Group's long-term business vision as stipulated in our Corporate Mission Statement, which reads as follows:

> *"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 our 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 Statement and was developed to direct our sustainability strategy. Our Sustainability Vision Statement reads as follows:

> *"Our sustainability goal is to create sustained value for all our 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."*

STAKEHOLDER IDENTIFICATION

The Sustainability Committee identified eight key stakeholder groups that have an impact on or are directly impacted by our business activities. Our identified stakeholders remain unchanged from 2018. They are as follows:

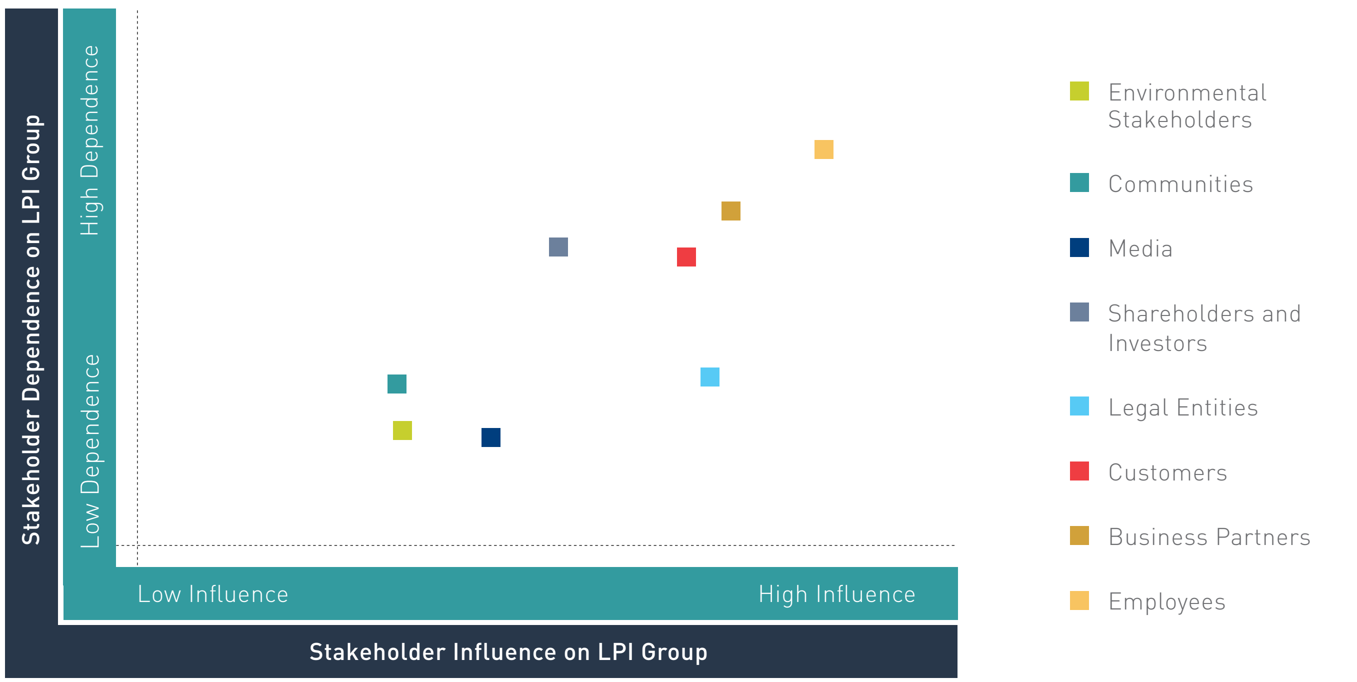
Stakeholder	Description
Employees	Our employees form the backbone of our operations and are directly responsible for all our value creation activities.
Business Partners	Business partners are third-parties who facilitate our business including agents, lawyers, adjusters, and reinsurance companies, as well as other corporate intermediaries.
Shareholders and Investors	Shareholders and investors are stakeholders who hold a direct or indirect financial stake in the LPI Group through either purchase of equity or other investment.

SUSTAINABILITY REPORT

Stakeholder	Description
Customers	Customers are the consumers of our insurance products and the source of the continued profitability of the Group.
Communities	Communities are where we serve and operate, both as an insurance provider and as a social organisation.
Legal Entities	Legal entities include the regulatory authorities that oversee the legal framework within which the Group operates, such as Bank Negara Malaysia ("BNM") and Bursa Securities. Trade associations such as Persatuan Insurans Am Malaysia ("PIAM") are also included as members of this stakeholder group.
Media	The media are parties who communicate the public image of the Group, and include analysts who act as the liaison between the Group and our investors.
Environmental Stakeholders	Environmental stakeholders are organisations that have a vested interest in the protection of the environment.

We review our stakeholder groups once every few years. For the purposes of our sustainability planning in 2019, we continued to refer to the stakeholder prioritisation matrix constructed from surveys conducted in 2018.

STAKEHOLDER PRIORITISATION



SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

We define material issues as issues that may have significant financial and non-financial impact on our organisation, including any issues that may directly or indirectly affect our value creation activities. For the purpose of this report, we use the definition of materiality provided by Bursa Securities, which states that sustainability matters are deemed material if:

They reflect an organisation's significant EES impacts; or

They substantively influence the assessments and decisions of stakeholders.

We have grouped our material indicators into the three EES categories—Environmental, Economic and Social—for ease of reference.

Our list of material indicators has grown since we produced our first sustainability report for the 2016 financial year. Initially, we identified material issues via the Sustainability Committee's internal review procedures. However, our list of material indicators has expanded following engagement with stakeholders and feedback from other parties. In line with best practice, we have ranked these material indicators in order of importance based upon the Sustainability Committee's assessment in conjunction with our various stakeholders' feedback.

The 15 material indicators we worked in 2019 were derived from those we identified in 2018. 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 Job Creation Corporate Governance Claims Management Partners' and Agents' Loyalty Partners' and Agents' Competency Responsible Investment Privacy and Data Protection Product Availability and Affordability	Economic
Workplace Management	Employee Competency Workplace Diversity Employee Welfare Development Workplace Safety	Economic
Community Development	Social Responsibility	Social
Environmental Conservation	Shrinking Our Carbon Footprint	Environmental

Based on the results of our surveys in 2018, we found that Privacy and Data Protection and Corporate Governance were key material concerns for our survey respondents, reflecting prevailing concerns about the rise of digital terrorism and white collar crime. Our respondents also viewed Employee Competency as an important material factor, suggesting that they value our ability to retain a skilled and an experienced workforce to effectively deliver our value creation activities.

SUSTAINABILITY REPORT

We also polled our Management to compare our own organisation's material priorities with the priorities identified by other stakeholders through our stakeholder identification process. The difference in the prioritisation of material indicators is given in the chart below.

COMPARISON OF MATERIAL INDICATORS

Stakeholder Assessments	LPI Assessments
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 Weltare 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

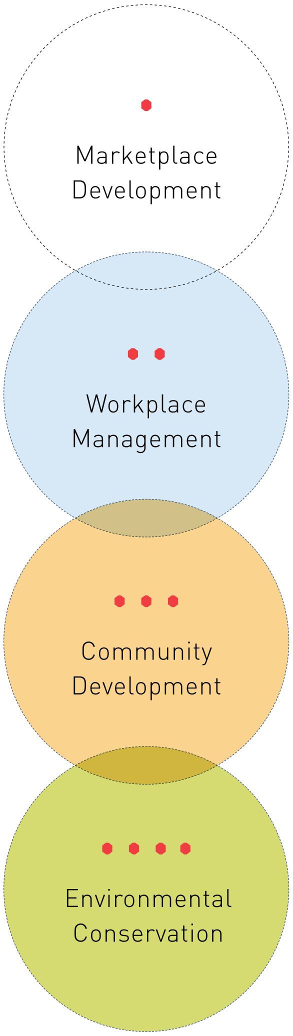
This comparative chart shows that Management is more concerned about employee competency and operational efficiency, whereas other stakeholders are more concerned about issues related to stakeholder protection. Weighted equally, the concerns of all stakeholders yield the following materiality matrix:

OVERALL MATERIALITY MATRIX

SUSTAINABILITY REPORT

LONPAC CARES

Lonpac Cares is our sustainability framework that addresses the materiality indicators and EES risks and opportunities outlined above. The framework is divided into four pillars, which provide the basis for and guide our sustainability initiatives and policies. The four pillars are:



Taken together, these pillars direct our sustainability initiatives towards the material indicators that are most relevant to us as a business and as a member of the community.

Marketplace Development

The LPI Group operates within a broader insurance and financial marketplace beyond our immediate dealings with our customers and shareholders. An international insurer, our marketplace extends beyond Malaysia and region, and is interconnected with the dynamics of the global financial markets. Our prospects and activities are therefore subject to market forces arising from both local and international sources.

Our responsibility to the marketplace entails different obligations depending on the stakeholder. From working with other insurance providers and regulators to developing products and services that meet our customers' needs, our marketplace responsibilities are numerous and basic to our role as an insurer. Our sustainability initiatives in the marketplace are focused on business development as well as on promoting financial stability.

Nine sustainability 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**

<u>National Contribution</u>

The success and sustainability of our business depend on the country's economic and financial health. As an insurer, we play a significant role in maintaining the overall health of the financial system and facilitating commercial and industrial projects. Recent financial crises have shown that financial markets are interconnected, and that failure of one institution may have systemic effect on the rest of the market. It is therefore crucial that we maintain our exposure to risk at prudential levels.

As part of our commitment to the stability of the financial system we maintain robust financial reserves at all times to meet 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. Moreover, our financials are periodically stress-tested to ensure that our balance sheets maintain their integrity. These financials are further assessed by A.M. Best, an independent global credit rating agency. Our submission to A.M. Best is voluntary, and we are presently the only Malaysian insurer to obtain a credit rating assessment from them. A discussion of our capital adequacy is available on pages 36 to 37 of this report.

SUSTAINABILITY REPORT

The LPI Group also contributes to national development as an investment vehicle and a taxpayer. In 2019, we paid RM274.9 million in dividends and RM98.2 million in taxes.

Our financial status is communicated regularly to the general investing public through our regular engagement sessions with analysts, the media, and investor representatives, as well as by our regular filings with Bursa Securities. These actions help us remain transparent and allow us to communicate the Group's overall financial health to a wider audience.

Job Creation

We are an important creator of jobs in the Malaysian economy, and invest substantially in hiring and training insurance professionals for our business as well as for the insurance industry in general. The Group hires local talent when possible, but prioritises candidates most suited to positions. 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 this year	Total number of recruitments = 62 jobs created (2018: 68 jobs) (2017: 63 jobs)	Ensure continuous recruitment in tandem with the Group's growth	Recruitment and job creation depend on the Group's needs as it grows and expands its business. Since the announcement of the liberalisation of the general insurance industry in 2016, we have been actively recruiting skilled professionals to meet the demands of a detariffed regime.
			Percentage of jobs awarded to locally qualified candidates = 54 out of 62 jobs = 87.10% (2018: 91.20%) (2017: 90.48%)	Develop local insurance talent	
		Internship programmes	Training hours / time spent on interns = Total training hours / number of interns = 696.13 hours / intern = 4.35 months / intern (2018: 4.5 months / intern) (2017: 2.4 months / intern)	Ensure effective and regular hiring of interns	

We also depend significantly on agents who may not be directly hired by Lonpac, but who nevertheless act on our behalf and derive economic benefit in doing so. Our agents remain the single largest distribution channel for Lonpac, and we do not expect this to change in the foreseeable future. Our hiring of agents is part of our overall job creation.

In 2019, we added 422 agents to our stable, bringing the total number of agents in our network to 3,025.

SUSTAINABILITY REPORT

Corporate Governance

The LPI Group adheres to a strict code of corporate governance as an essential element of sustainability (see pages 83 to 95 in this report for our Corporate Governance Overview Statement). These high standards of corporate governance are embedded throughout our operations, with policies in place stipulating expectations and consequences. This includes our Anti-Bribery and Corruption Policy which was completed in 2019. Overseeing the governance of our Group is our Board, which not only presides over the Group but takes a direct and active interest in all aspects of managing the Group.

In recognition of our corporate governance track record, the LPI Group received two awards in 2019 from the Minority Shareholders Watch Group, an organisation set up to protect the interests of minority shareholders. The LPI Group was also recipient of the Excellence Award for Overall Corporate Governance & Performance, and of the Excellence Award for Corporate Governance Disclosure, at the MSWG-ASEAN Corporate Governance Awards 2018, held on 31 July 2019.

Claims Management

The efficiency and effectiveness of the claims process is a key service benchmark for insurers and a metric that has significant bearing on our reputation as an insurer. Customers depend on us for fair and quick settlement of their claims, especially in urgent circumstances, and the ability to meet their expectations is crucial to us. The efficiency of our claims process is also important in differentiating us from other insurers.

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

SUMMARY OF CLAIMS MANAGEMENT BENCHMARKS FOR 2019

Sustainability Benchmark	Description	Measurement	Goal	2019 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%	59.13% (2018: 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	1,534 claims (2018: 1,462 claims) (2017: 1,395 claims)
Completeness of quarterly claims files review	Reviews all open/ outstanding claims to determine status	Whether or not the review exercise was conducted	To conduct the claims review every quarter	Completed exercise every quarter in 2019

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SUMMARY OF CLAIMS MANAGEMENT BENCHMARKS FOR 2019

Sustainability Benchmark	Description	Measurement	Goal	2019 Achievement
Claims service standard	Measures the claims service standard by the number of customer complaints	Percentage of the number of complaints received against the number of claims registered	Number of complaints received not to exceed 2.5% of total number of claims registered **We have revised the KPI target for this initiative to 2.5% from 5.0% previously in line with our aim of continuous improvement*	0.06% (2018: 0.05%) (2017: 0.05%)
Performance of service providers	Ensures that our service providers comply with regulators' claims settlement guidelines and internal service standards	Conduct review of service providers' performance	To conduct the performance review on a semi-annual basis	Completed on a half-yearly basis at the Panel Review Committee meetings in 2019

Partners' and Agents' Loyalty/ Competency

We maintain a network of business partners and agents who support our value creation activities in the form of service to our customers and creation of new business leads. Agents in particular are at the forefront of our customer service and function as a direct liaison between Lonpac and our customers. Our agents are therefore best positioned to understand our customers' needs, and to propose custom solutions that suit their particular stations and circumstances.

Agent Development

Trust is built over time and an effective agency force must therefore enjoy a stable and longstanding relationship with both the corporate entity that employs them and the customer base they serve. We therefore invest both time and resources to help our agents achieve their professional ambitions, and reach the levels of professionalism we expect from them. To support the professional development of our agency force, Lonpac conducts regular training and development workshops.

In 2019, we conducted 174 training workshops for our agents in Malaysia and Singapore. These workshops covered a wide range of topics from customer service to product-specific technical courses and operational and process improvements. In total, we spent RM2.12 million on training our agents in Malaysia and Singapore in 2019.

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Agent Retention

Agent retention is an important priority for us, particularly with liberalisation of the general insurance framework. Removal of tariffs has intensified competition, and it has become increasingly necessary for our agents to be thoroughly familiar with our products as well as insurance operations generally in order to provide value for our customers. Investing in our agents is therefore not sufficient if we cannot retain their expertise.

In tandem with our high expectations of our agents, we make every effort to ensure they are remunerated at levels equal to or surpassing the industry average, and also offer a variety of performance incentives such as our flagship Masterclub Award. The Masterclub Award was introduced in 2006 to recognise the best performers within our network of agents, with winners chosen based on business profitability and their portfolio premium incomes. The Masterclub Award is presented to eligible agents in recognition of their service, and encourages them to maintain their performance levels through friendly internal competition.

Working with International Partners

As an insurer with global linkages, Lonpac collaborates with partners from around the world including insurance brokers, other insurance companies, and reinsurance providers to underwrite large risks, provide support services and generate new business leads. Two business units — our Broking Unit and our Global Partnership Unit — are dedicated to working with these international partners. Over the years, we have established a reputation of efficient and effective service, as was recognised by two awards we received in 2019.

On 1 July 2019 we received the Executive Recognition Award from the International Network of Insurance in recognition of our quality of service and dedication to the network. We also received the RSA Global Network's Gold Achievement Award on 17 October 2019 for our support of and service to the network in the Asia and Pacific regions. The RSA Group is one of the world's oldest and leading insurers, and builds insurance networks and partnerships around the world.

Responsible Investment

The LPI Group is committed to the responsible investment of funds at our disposal. We have strict policies in place, such as our prudential risk thresholds, to ensure that our investments are not in breach of any guidelines, and that our funds are not used for unethical purposes such as terrorism financing or money laundering. The Group's investments are overseen by the Investment Committee, which is also responsible for ensuring that the Group's investment policies and strategies are in line with our business strategy and all investment guidelines. Our guidelines are also subject to the scrutiny of our risk management processes, and periodically reviewed to ensure that our investments do not pose any systemic risk to the Group.

Privacy and Data Protection

Data privacy and data protection have been primary concerns among our stakeholders the last few years given the increasing use of technology in our business. The ubiquity of technology use at all levels of our operations poses new data and security challenges, particularly in view of the corresponding rise in data piracy and network incursions. This is evident from the number of cases of data leaks from large organisations in recent years, which have hurt reputations and put customer privacy in jeopardy.

Data breaches and data piracy not only risk our reputation but expose the Group to liabilities resulting from failure to safeguard confidential data. The possible fallout from data breaches is far-reaching, and could compromise our customers' and partners' trust in us. This in turn could directly impact the sustainability of our operations. While we have thus far enjoyed an excellent track record in data security, we are aware that everyone is a potential target of data piracy. To protect our database from unauthorised access, we conduct annual assessments and audits of our systems by an independent third-party security vendor.

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Another concern is the unauthorised access of confidential data by internal sources. The LPI Group has a robust Privacy Policy which stipulates the appropriate use and handling of customers' confidential data. The policy states that only authorised personnel may have access to confidential customer data, and only in specific circumstances. We expect our employees and agents to abide by the policy at all times, and mete disciplinary action in the case of violations. The full text of our Privacy Policy is available online at:

- https://www.lpicapital.com/home/privacy-policy
- https://www.lonpac.com/home/privacy-policy

Product Availability and Affordability

The Malaysian Government and BNM have made financial inclusivity a key national development goal. The goal of financial inclusivity is to ensure that all Malaysians, including those in lower income brackets, have access to quality financial services as well as the means to accumulate wealth through savings. Financial inclusivity, along with high-income status and sustainability, are central to the Government's vision as articulated in the New Economic Model of what is required for Malaysia to become a high-income country.

The LPI Group is a firm supporter of financial inclusivity as articulated in BNM's Financial Sector Masterplan. Under the Masterplan, we are obliged to fairly price our insurance products and make them available to all levels of society. In practice, this entails providing a broad range of products affordable to the various economic classes in society so that the insurance safety net is available to all.

To that end, the Group has participated in various low-cost insurance plans, such as the 1Malaysia Microprotection Plan which was introduced in 2011. This plan provides Fire and Personal Accident coverage for as little as RM1.50 and RM3.50 per month respectively, making insurance affordable to all Malaysians including those in the lowest income brackets.

The protection granted by this product ensures that persons and small business owners receive financial support in the unfortunate event of accident involving themselves or compromising their businesses. The sum insured provided by this plan ranges from RM5,000 to RM50,000 for Fire coverage, and is RM20,000 for Personal Accident coverage. Lonpac participates fully in the programme and also functions as a point of sale for the product.

In addition to more affordable insurance products, we have also made financial inclusivity a facet of our digital transformation plan, and are currently exploring the opportunities made available through innovative insurance technology ("Insurtech"). Insurtech leverages smart mobile devices and online platforms for the purchase and management of insurance products at relatively low cost. As early as 2020 we plan on making simple and straightforward products available through our digital channels, offering a wider and more inclusive group of Malaysians more convenient access to insurance coverage.

Workplace Management

Our talent is our most important asset and effective workplace management is crucial to the sustainability of our talent pool. Our employees not only deliver our value creation activities, but represent us in dealing with our customers and the public at large. It is therefore critical for us to identify, recruit, and retain personnel with the right skillsets and attitudes to maintain our organisation's sustainability.

Our talent needs evolve according to changes in our operating conditions and organisational needs. Since the announcement of the phased liberalisation of the general insurance framework, we have seen growing competition for skilled and experienced insurance professionals who are capable of operating within the new detariffed regime. The entrance into the market of new insurance players has also created greater competition for talent, which has added pressure on our human resource capabilities.

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As our stakeholder prioritisation matrix shows, all our survey respondents emphasised the need to retain skilled and experienced staff. This is an implicit recognition of the central role played by our staff in creating value. For these reasons, we actively manage our workplace to create safe and productive working environments, and put in place remuneration policies that are on par with, if not better, than the industry average.

We put great stock in employee dedication and loyalty as part of our business culture. To recognise our employees' contributions to the Group, long-serving staff receive Service Recognition Awards when they reach specific service milestones. The Award functions as a token of appreciation in recognition of employees' loyalty and continued service to the Group.

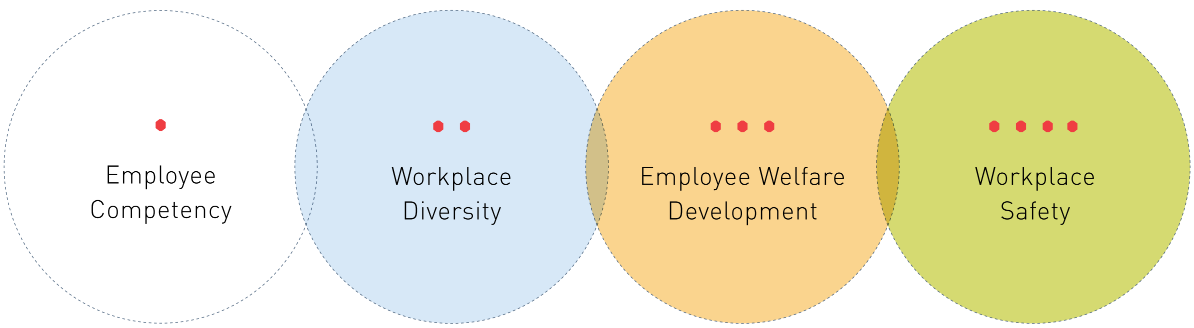
The table below provides a summary of the recipients of the Service Recognition Award over the past 10 years.

	Number of Recipients									
Years of Service	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
45 years	-	-	-	-	-	-	-	-	1	**-**
40 years	-	1	1	2	-	-	-	-	-	**-**
35 years	1	1	-	-	-	-	2	3	2	**5**
30 years	-	4	4	4	5	1	-	1	3	**1**
25 years	2	1	2	3	1	2	3	7	14	**19**
20 years	2	4	10	16	24	8	15	18	16	**7**
15 years	9	15	23	18	9	14	13	18	22	**18**
10 years	17	15	25	27	18	22	25	18	34	**40**
Total	**31**	**41**	**65**	**70**	**57**	**47**	**58**	**65**	**92**	**90**

The Group has in place a non-discrimination succession policy which assures staff of career advancement opportunities regardless of gender, religion, or ethnic background. This policy applies also to our management succession plan. This ensures that management candidates are evaluated solely on merit, thus providing a constant supply of capable leaders and management professionals to secure business continuity.

<u>Building Local Capacity</u>

Where feasible, Lonpac prioritises the hiring and training of local talent. We invest in our talent through training, which forms part of our comprehensive talent development programme. This programme is underpinned by our Workplace Management sustainability pillar, which outlines four broad areas addressing staffing issues:



SUSTAINABILITY REPORT

Employee Competency

Ensuring employee competency is a substantial part of our talent management programme, which aims to ensure we have skilled employees at every station throughout our organisation. Our personnel ranges from specialist technical experts to the front-line agents responsible for liaising with our customers. In 2019, we spent RM1.29 million training our employees.

To measure the success of our talent development programme, we have identified various headline targets related to recruitment and retention. These contribute to our overall recruitment and retention targets, which are detailed below:

Target Description	Target	Achievement (2019)	Rationale
Recruiting and developing staff to ensure a pool of competent and qualified personnel	To have 60% of staff hold Bachelor's Degrees or appropriate professional qualifications	45.39% (2018: 45.21%) (2017: 44.94%)	While academic qualifications are not the only determinant of proficiency, having a majority of employees with tertiary and professional qualifications is an important metric in determining the level of professionalism of our staff.
Retaining staff as measured by the staff attrition rate	To lose fewer than 10% of total staff annually	5.29% (2018: 6.23%) (2017: 5.19%)	Appropriate attrition targets help to determine any systemic issues with our HR policies.

Our talent management programme is also designed to help our employees reach their full career potential. We measure the efficacy of our employee welfare and development initiatives through the following headline KPIs:

Target Description	Target	Achievement (2019)	Rationale
Comprehensive training and development opportunities for all employees	1. To have at least 60% of staff attend formal training in any given year 2. To have employees receive on average at least two days or 16 hours of formal training and development annually	74.57% of all employees attended training in 2019 (2018: 67.12%) (2017: 63.04%) Total average hours of training per employee = 17.87 hours (2018: 16.92 hours) (2017: 16.19 hours)	Heads of Department are responsible for the training and development of employees in their department. The Heads of Department are subsequently assessed to ensure that employees under their watch have been given the opportunities to develop and progress in the organisation.

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<table>
<tr><th>Target Description</th><th>Target</th><th>Achievement (2019)</th><th>Rationale</th></tr>
<tr><td>Ensuring professional standards and qualifications for employees at manager levels and above</td><td>To have at least 50% of employees at manager level in core operations professionally qualified or actively pursuing professional qualifications</td><td>2019
<table><tr><th>Core Operations</th><th>% Qualified</th></tr><tr><td>Total Core</td><td>34%</td></tr><tr><td>Underwriting</td><td>50%</td></tr><tr><td>Claims</td><td>27%</td></tr><tr><td>Accounts</td><td>78%</td></tr><tr><td>Marketing/ Business Development</td><td>24%</td></tr><tr><td>Actuarial/ Enterprise Risk Management/ Pricing</td><td>100%</td></tr><tr><td>IT</td><td>Not applicable</td></tr></table>
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>
The IT Department is excluded from this measurement as the training of its personnel is specific to the Group's needs and is dependent on the type of technology implemented in any given year.</td><td>Senior officers at management level are expected to hold or take steps to acquire professional qualifications. To help them achieve these qualifications the Group grants full sponsorship for professional qualifications in the areas of insurance, accounting, IT and actuarial studies.

The Group also nominates staff to participate in the Malaysian Insurance Institute's Accelerated Professional Enhancement Programme ("APEP"). Staff participating in this programme receive 1.5 days of paid study leave each week for a period of two years.</td></tr>
<tr><td>Improving staff productivity levels as measured by gross written premium income</td><td>To increase annual productivity levels measured in terms of gross written premium income per employee</td><td>2.47% in productivity year-on-year
(2018: 1.71%)
(2017: 8.65%)</td><td>Staff productivity is measured in terms of gross written premium per employee.

(This is not the only benchmark used as our employees also play key ancillary roles that do not directly contribute to premium income.)</td></tr>
</table>

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Encouraging Professionalism in the Insurance Industry

In line with BNM's plan to professionalise the insurance industry by encouraging more insurance professionals to obtain relevant qualifications, the Group has embarked on an exercise to boost greater certification among its staff. As an added incentive for our staff to seek certification, the Group has implemented several sponsorship schemes, some of which will bond the staff to the Group and some without.

The two certification programmes eligible under our sponsorship schemes are:

- Certificate of Malaysian Insurance Institute ("CMII"):
  For existing staff and all new Lonpac recruits at executive level upon confirmation of their employment
- Professional Certificate in General Insurance Underwriting ("PCGIU"):
  For staff in core insurance departments occupying supervisory positions

In 2019, a total of 149 employees sat for the CMII examination. Of that total, 124 passed, translating to a pass ratio of 83%. The PCGIU programme was rolled out in December 2019 with an initial enrollment of 12 employees. The programme is scheduled to be completed by next year.

Workplace Diversity

A workplace reflecting the diversity of our marketplace is beneficial to decision-making and helping to ensure that policies and activities are appropriately tailored to our similarly diverse customer base. Employee diversity also entails greater breadth of perspective, and thus more dynamic innovation and creative solutions to problems. The LPI Group encourages diversity through our Workplace Diversity Policy, which stipulates consideration of diversity in the areas of:

- **Recruitment**: Individuals are to be employed as per the Group's needs and requirements, and matched in their tasks to their experiences and qualifications. No consideration of race, religion, or gender is to be made during the recruitment process.
- **Operations**: Officers are expected to make conscious efforts to be inclusive in all activities within the Group, including determining the composition of Management Committees as well as the membership of other sub-groups.

A number of metrics are used to measure the diversity of our workforce, though of primary concern in any hiring decision is selecting the candidate best suited to the position and the overall needs of the Company.

Target Description	Target	Achievement (2019)	Rationale
Achieving staff diversity as measured by the gender ratio	To have no fewer than 30% of staff from either gender	Male to Female ratio 36:64 (289 male employees: 524 female employees) (2018: 35:65) (2017: 35:65)	The Group does not gender discriminate during the recruitment process as the Group recognises the importance of having equal representation from both genders. While we strive for balance, we do not make recruitment decisions based on gender.

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Target Description	Target	Achievement (2019)	Rationale
Achieving gender diversity in leadership positions	To have no fewer than 30% of management and supervisory positions filled by women	Percentage of women leaders: 63.65% (2018: 63.54%) (2017: 63.75%)	The Group 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.
Mothers returning to the workforce	To encourage at least 75% of mothers at management levels to return to work following maternity leave	100% (2018: 100%) (2017: 100%)	The Group is committed to helping women balance their roles as both employees and mothers. As far as possible, we accommodate the needs of mothers by providing them with remote access during and after 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.

Employee Welfare Development

We invest in employee welfare development because we know that strong staff morale is strongly correlated with improved performance and productivity levels, as well as improved employee retention. To protect employee welfare, we have established the following key policies:

- **Whistleblowing Policy**: Employees are encouraged to report any breaches in professional or other conduct to the appropriate authority. Our Whistleblowing Policy ensures employees do not suffer any retribution for reporting such breaches.
- **Harassment Policy**: Our Harassment Policy stipulates and defines the nature of harassment and clarifies our zero tolerance of any form of harassment.
- **Grievance Procedures**: This policy provides a step-by-step guide for employees to follow when reporting grievances and seeking redress for any harm suffered.

To help our employees build better lives we offer them a variety of privileges including:

- Preferential interest rates for housing loans
- Interest subsidies on housing and vehicle loans
- Subsidised motor insurance coverage

These privileges are some of the benefits we provide our employees to help them build meaningful lives for themselves and their families. More than 700 loans have been disbursed to our employees since 1996. As of 2014 we have also been subsidising interest payments on vehicle and housing loans taken out by staff as part of our overall employee welfare programme. In addition to these privileges, the Group also invests in recreational activities for employees through Kelab Sukan Lonpac Insurans, Kuala Lumpur. This employee-focused social club fosters stronger team relationships through sporting activities, and engages in activities that may also include employees' families as well.

Employee Conduct

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 that must be upheld at all times. Accordingly, the Group does not tolerate any breach of conduct that could jeopardise that relationship. Our expectations of our employees are contained in two key policy guides—our Code of Conduct and our Code of Ethics—which are both available to all employees and can be found in the Company's Document Management System.

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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 by the Occupational Safety and Health ("OSH") Committee.

Health and safety metrics are available in the following table:

Target Description	Target	Achievement (2019)	Rationale
Providing a safe working environment for employees	To ensure zero accidents or injuries in the workplace or office area	Reported accidents and injuries at: - Head Office: 0 - Branches: 0	The OSH Committee investigates and documents every accident or injury occurring in the workplace and updates safety procedures when necessary.
	To secure all offices with security doors with access control	All offices have security doors with access control	Implementing security doors with access control at all our offices helps ensure that only authorised persons have access to the office and staff personnel 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	Employees are occasionally required to be on-site to consult with clients or to inspect equipment and premises. These employees are trained in the handling of equipment as well as in the standard operating procedures expected of them. These procedures are outlined in a number of references and guides that are readily available to our staff.
Ensuring full observation of OSH safety requirements and standards	To have all offices meet OSH safety requirements and standards	All offices meet requirements	All offices and branches are checked quarterly to ensure they observe OSH safety requirements and standards. Checks are undertaken by the OSH Committee, which examines or confirms 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 and branches must display their OSH Policy Statement and display an Emergency Evacuation Route Map on every floor.

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Target Description	Target	Achievement (2019)	Rationale
Providing employee medical coverage	To provide medical coverage for all staff and their dependents.	As at 31 December 2019, total medical costs for staff and their dependents totalled 0.43% of the LPI Group's Profit Before Tax, as compared to 0.35% in 2018.	The Group provides medical coverage to all employees and employees' family members to give them a safety net in the event of poor health or accidents. Our policy of extending coverage to family members ensures that none of our employees will be burdened by medical costs incurred by their loved ones.

Lonpac conducts regular health and safety events together with partners to educate and promote health awareness among staff. We organise at least one health event per quarter and at least one office-wide exercise programme annually. In 2019 we held the following events:

- A cancer awareness workshop and Secure Cancer Care product briefing. Discounts were given to staff who purchased the policy who may also opt for a monthly instalment payment plan.
- An Emergency Response Plan for Fire Hazard was circulated to educate staff on proper fire response and how to prevent small fires from spiralling out of control.
- Health tips and preventive steps on combating haze were circulated to staff during the poor air quality conditions in Kuala Lumpur in the middle of the year. Face masks were also distributed to staff.
- A Health Check Event to encourage healthy living and to raise health awareness among staff was conducted. Complimentary health checks were provided to staff that included bone density tests, blood pressure tests and smoking cessation tests.

Moreover, each branch is outfitted with Emergency Rescue Sets ("ERS") with one set available on every floor of each of the branches. Each ERS contains a variety of emergency equipment including a portable fire extinguisher, smoke masks, a fire blanket and a safety defensor.

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Community Development

The Community Development pillar addresses the Group's social role and matters arising from our presence and engagement within the larger community. As insurers we play an important role in providing the community with a safety net, and we support the national effort to ensure the availability of affordable insurance coverage for all individuals from all economic backgrounds.

As a member of the community we have an obligation to support and improve the lives and living conditions of those around us. Indeed, we do not view community investment as somehow additional to our core function, but rather conceive it as a natural extension of our value creation role. Investments in the community have long-term impacts, and a more sustainable and economically viable community is beneficial to all, and supportive of our own business interests. Over the years, the LPI Group has worked on several Corporate Social Responsibility ("CSR") initiatives, many of which are reported in this Sustainability Report.

Empowering Our Communities

The Group works towards empowering less fortunate Malaysians to become more independent and to reach their full potential as productive members of society. We 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 the development and nurturing of young persons. Our CSR programmes are a platform to empower and enrich our communities, and to show our appreciation for their continued support.

Our key activities in 2019 include:

- Holding the annual Lonpac E-Assist Charity Golf Tournament at Kota Permai Golf and Country Club, Shah Alam, Selangor, which raised RM35,000 from green fees and other contributions. These proceeds were donated to Persatuan Kanak-kanak Istimewa Hulu Langat, a non-profit, non-governmental organisation which operates a Day Training Centre for mentally and physically challenged children.

- Contributing RM20,000 to the Seri Mengasih Heroes Run 2019, a fun run aimed at raising funds for the Seri Mengasih Centre. The Seri Mengasih Centre is a developmental centre catering to the intellectually and developmentally disabled.

- Holding our annual blood drive campaign on 26 June 2019, to replenish stocks at the Pusat Darah Negara. The campaign saw 63 pints of blood donated to the blood bank.

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

- Lovely Disabled Home through our regular recycling project
- Persatuan Kebajikan Sri Eden Selangor dan Kuala Lumpur
- Rotary Club of Likas Bay for Project Smile Cambodia 2019
- The Rotary Club of Seberang Jaya for its Chinese New Year Celebration with 1,000 special children
- Pavilion Kuala Lumpur's "Charity-At-Heart" 2019
- Hospice Klang for its Charity Golf Tournament
- The China Press' Primary School Writing Camp 2019
- The China Press' Chinese Essay Writing Competition 2019
- Sin Chew Media Corporation Berhad for its School General Knowledge Competition
- The Vehicle Theft Reduction Council of Malaysia Bhd's PDRM-VTREC Vehicle Theft Public Awareness Campaign 2019

In addition to these programmes we also support events that encourage active lifestyles and participation in sport. The sporting events we sponsored in 2019 include:

- The Mount Miriam Cancer Hospital for its Flamingo Movement Charity Run 2019. In addition, the Group sponsored the entrance fee for the first 35 staff participants and subsidised the cost of other staff who participated in the charity run
- The Borneo Sevens 2019 Tournament organised by Kelab Rugby Eagles, Sandakan
- Persatuan Ping Pong Negeri Sembilan for the 39th Milo Malaysia Junior and Cadet Table Tennis Championships 2019
- The 33rd Sarawak Chief Minister's Cup (I) ITF World Tennis Tour J1 Sarawak organised by the Sarawak Lawn Tennis Association
- The 34th Sarawak Chief Minister's Cup (II) ITF World Tennis Tour J3 Sarawak organised by Majlis Sukan Negeri Sarawak

Environmental Conservation

The insurance industry's environmental impact is relatively small in the larger commercial context. Nevertheless, environmental conservation is the responsibility of all, and the Group is accountable for its impact on the environment. Moreover, as climate change could significantly impact our business, we have a vested interest in proactively forwarding the goals of environmental conservation, and raising greater awareness of environmental issues together with all our stakeholders.

The Group's impact on the environment takes mainly two forms: energy usage and paper usage. Over the long-term, our environmental impact will be mitigated by our transformation into a digital company. As part of this transition, we continue to transform our workplace into a paperless environment to reduce the amount of paper used in our operations.

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We have also continued to increase the use of our Electronic Credit Payment ("ECP") system to make outgoing payments, thereby reducing the number of cheques issued. The table shows that the number of electronic payments has continued to rise while the number of cheque payments had stabilised.

	2019		2018		2017	
Mode	No. of records	%	No. of records	%	No. of records	%
ECP						
- Malaysia	**171,781**	**98**	156,253	98	142,008	98
- Singapore	**3,847**	**42**	2,214	31	1,823	27
Cheque						
- Malaysia	**3,084**	**2**	3,102	2	2,939	2
- Singapore	**5,413**	**58**	4,981	69	5,038	73

The Group also records its overall paper usage over the course of the year. However, because paper usage is still highly correlated with the amount of business conducted during the year, as well as the type of business being conducted, year-on-year comparisons may not provide a complete picture of the effectiveness of our paper reduction strategies. We provide our paper usage figures below, though believe more representative figures that reflect our strategies will emerge over the long term.

Paper Usage	2019	2018	2017
Total issued documents ('000)	**2,058**	2,051	1,896
Total paper volume (Reams)	**45,345**	42,355	38,433
Ratio (Reams per 1,000 issued documents)	**22.03**	20.65	20.27

The data shows that paper usage, as a ratio of the number of issued documents, has increased to 22.03% from 20.65% a year ago. A number of factors are responsible for this increase, including changes in regulations that require further documentation, and the introduction of new legislation such as the Sales and Service Tax.

Moving forward, the Group has decided to standardise its template for all documents, which should reduce the volume of paper used. Additionally, we are working with our financial institution partner to arrange for the delivery of e-Policies to their customers. We will report on the progress of these initiatives in our next sustainability report.

Some of our other environment conservation initiatives in 2019 include:

- Installing a water filtration system to replace the plastic bottled water dispenser at our Head Office. Moving forward, water filtration systems will replace plastic bottled water dispensers at all our other branches.
- Participating in Earth Hour 2019 in support of environmentally sustainable action. Staff were also encouraged to participate in the Earth Hour from their homes.

SUSTAINABILITY REPORT

SUSTAINABILITY GOALS MOVING FORWARD

The LPI Group is working towards the publication of an integrated report in line with the reporting requirements of the <IR> Framework as outlined by the IIRC. The integrated report will see greater links between our sustainability initiatives and business initiatives to provide greater transparency of our value creation and resource management activities. Ultimately, the goal of the integrated report is to show there is no tension between sustainability concerns and our regular business activities: business activities must be sustainable as a matter of course and this is generally true throughout operations.

We believe that more uniform and more visible integration of sustainability into our value creation activities will provide greater disclosure of our organisational health as well as of the value that we create for our stakeholders. Following a preliminary survey of the <IR> Framework's requirements, the Sustainability Committee believes that the existing sustainability framework needs to be enhanced to meet the <IR> Framework's stipulated requirements. To that end, we are working together with an external consultant to review our current processes and to determine which areas require further enhancement ahead of our 2020 deadline.

For this year's report, we have integrated elements of <IR> into our MD&A as well as in other reporting areas. However, the structure of our Sustainability Report has remained the same for the most part, and has focused mainly on reporting our traditional sustainability activities. We welcome all comments and suggestions as to how we can further strengthen our sustainability practice. Please direct all correspondence to sustainability@lonpac.com.

OUR MARKETS AND OPERATIONS LANDSCAPE

OUR MARKETS AND OPERATIONS LANDSCAPE

for the period, January to September 2019. *Source from ISM Statistical Bulletin*

General Insurance Industry

drop of **0.9%** with gross direct premiums of RM **13.34** BILLION

Motor Insurance

dominant class decline of **0.7%** at RM **6.34** BILLION

Fire Insurance

grew **1.6%** to RM **2.60** BILLION

Weak Performances in Medical and Health Insurance (MHI) and the Miscellaneous Class

MHI declined **11.4%** to RM **0.82** BILLION

Miscellaneous shrunk **4.0%** to RM **1.65** BILLION

impacted by:

1. 8.0% drop in Contractor's All Risks and Engineering insurance.
2. 58.6% decline in Workmen's Compensation and Employers' Liability insurance.

Boost in Marine, Aviation and Transit Insurance

Rose **5.8%** to RM **1.03** BILLION

boosted by:

1. The recovery of the oil and gas sector.
2. A 7.6% surge in Aviation insurance.

Personal Accident Insurance

Declined **0.04%** to RM **0.90** BILLION.

Source:
ISM Statistical Bulletin for the period January to September 2019.

OUR MARKETS AND OPERATIONS LANDSCAPE

OUR MARKETS AND OPERATIONS LANDSCAPE

for the first half of 2019. *Source from PIAM*

Vehicle Theft

The total number of stolen vehicles went down by **26%** from **7,027** to **5,173** vehicles for all classes during the first half of 2019.

Industry Challenges

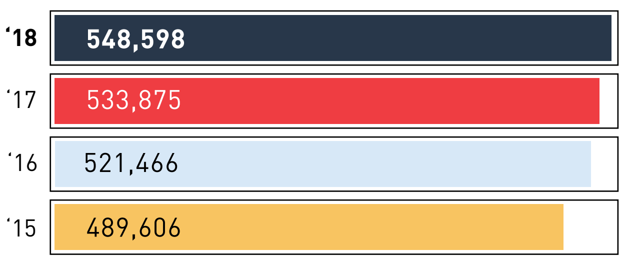
Low Penetration Rate

Low tracking at **1.23%** for 2018 compared to the global average of **3%**.

Escalating Claims

Medical inflation is projected to reach **14%** in 2019.

Number of Road Accidents



The number of accidents increased by **12%** over a 3-year period from 2015.

Industry Services

Providing emergency assistance and peace of mind to road users through the

Accident Assist Call Centre (AACC)

launched in 2013.

Launching more **new insurance** products to provide better protection

66
new Motor products

50
new Fire products

As at 25 August 2019

Source:
PIAM. "GENERAL INSURANCE INDUSTRY DIPPED 1.4% IN THE FIRST HALF OF 2019." PIAM. Kuala Lumpur, 27 August 2019. https://www.piam.org.my/general-insurance-industry-dipped-1-4-first-half-2019/

UNDERSTANDING OUR RISK

Taking risk is an integral part of insurance, but this is done carefully and within the risk appetite, risk tolerance limit and framework set by the Board. We endeavour to only take risks we understand, have the expertise to manage and where we assess that potential benefits outweigh the risks. Our risk management framework sets out the approach we take to the identification, assessment, management, monitoring and reporting of risks. Our Board sets risk appetite and regularly reviews performance against the risk tolerance limits.

Having a good risk management framework is not adequate by itself; its operation depends on a culture where our people act in accordance with our corporate values. We do this by ensuring an appropriate tone from the top with clear management

Support Departments	Risk Type	Mitigation Efforts
		Risk Management Approaches:
1 Underwriting 2 Claims	**Financial Risks** Risk of financial losses caused by credit risks, market risks, interest rate risks, foreign currency risks or liquidity risks.	• Diversification of investments and reinsurance placements to avoid concentration risk on single counterparty. • Credit control policies and procedures carried out by the Credit Control Unit. • Investment guidelines to describe the threshold for each type of investment.
3 Accounts & Finance 4 Human Resource	**Strategic Risks** Risk of financial losses arising from underlying strategies that turns out to be a poor business strategy decision.	• Product Development Committees 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.
5 Information Technology 6 Compliance & Legal	**Insurance Risks** Risk of financial losses arising from higher than expected claims amount and the inadequacy of insurance liabilities reserves.	• 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.
7 Actuarial 8 Pricing	**Operational Risks** Risk of financial losses arising from inadequate/ failed internal processes, people, systems or unexpected external events.	• 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.
9 Administration 10 Secretariat	**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.	• 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.

UNDERSTANDING OUR RISK

accountability for the risks we face. This tone, reinforced by our code of conduct, influences the behaviour of our employees throughout the Group and drives a consistent consideration of risk as a natural part of decision making.

The Directors have carried out a robust assessment of the key risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. The key risks and uncertainties are described in the table below. The management has put in place actions to mitigate these risks, and controls to maintain risk exposures within acceptable levels defined by LPI's risk tolerance limit. Regular monitoring and reporting of risks enables continuous review and prompt management actions to be taken.

	Link to Strategy	Business Development Departments
• 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 our insurance contract and other obligations.	We set our strategy to thrive in the medium and long-term. We continue to ensure prudent and profitable underwriting practices in order to maximise the returns on the resources available within the confines of regulatory requirements. We aim to achieve a sustainable business while maintaining capital stability for our shareholders. We are expanding and enhancing the current distributional channels to reach all segments of society and customer groups within the markets where we operate. We aim to create value for our customers in the long run. Good and professional customer services and innovative products create better buying experiences for our customers. The efficiency of our claims process differentiate us from our competitors. We are committed to constantly improve our claims management process to ensure that we meet the customers' demands as quickly and fairly as possible. We are committed to operational excellence, guided by integrity and professionalism. Together, with our business partners, particularly agents, we are committed to a high level of integrity and professionalism. To support the professional development of our agents, we conduct regular training and development workshops for them. Agent retention is one of our key priorities as good, experienced and trained agents are the key assets of our Group.	Agency Financial Institution
• The Information Technology Steering Committee ensures the effective planning and direction of IT plans and projects. • Digital Strategy department to diversify the distribution channel and enhance the Group's customer buying experience. • The Investment team executes Group's investment objectives, which aims to maximise returns consistent within prudent levels of risks.		Broking Global Partnership
		Trade Credit Digital Strategy Product Development
• 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.		Reinsurance Customer Service
		Branches Strategic Performance Branches

WHO GOVERNS US

TAN SRI DATO' SRI DR. TEH HONG PIOW

Aged **89**

Gender **Male**

Nationality **Malaysian**

Date of Appointment **27 September 1971**

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); DUniv Sunway hc

Attended Board Meetings

Financial year ended 31 December 2019

100% 9/9

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 89, 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 70 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
- 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

WHO GOVERNS US

- 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
- Asian Corporate Director Recognition Award 2019 for Malaysia
- The BrandLaureate Hall of Fame Lifetime Achievement Award as the Greatest Banking Icon of the Decade

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 2019.

WHO GOVERNS US

MR. TEE CHOON YEOW

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

Attended Board Meetings
Financial year ended 31 December 2019

100%
9/9

Malaysian
67
Male
Appointed on 29 October 1991

Mr. Tee Choon Yeow, aged 67, 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 2019.

MR. TAN KOK GUAN

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

Attended Board Meetings
Financial year ended 31 December 2019

100%
9/9

Malaysian
63
Male
Appointed on 29 October 1996

Mr. Tan Kok Guan, aged 63, 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.

His directorship in other company is as Chairman of Campu Lonpac Insurance Plc, an associate company. Mr. Tan is also currently a member of the Board of the Malaysian Insurance Institute.

Mr. Tan attended all the 9 Board Meetings which were held during the financial year ended 31 December 2019.

MR. LEE CHIN GUAN

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

Attended Board Meetings
Financial year ended 31 December 2019

100%
9/9

Malaysian
61
Male
Appointed on 8 October 2015

Mr. Lee Chin Guan, aged 61, 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, Public Finance Ltd and Public Bank Vietnam Ltd.

Mr. Lee attended all the 9 Board Meetings which were held during the financial year ended 31 December 2019.

WHO GOVERNS US

MR. QUAH POH KEAT

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

Attended Board Meetings
Financial year ended 31 December 2019

Malaysian
67
Male
Appointed on 2 January 2009

100%
9/9

Mr. Quah Poh Keat, aged 67, 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, 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 2019.

MS. CHAN KWAI HOE

Independent Non-Executive Director
BEc (Hons) Analytical Econs

Attended Board Meetings
Financial year ended 31 December 2019

Malaysian
63
Female
Appointed on 1 July 2015

100%
9/9

Ms. Chan Kwai Hoe, aged 63, 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 2019.

WHO GOVERNS US

MS. SOO CHOW LAI

Independent Non-Executive Director
BA Econs (Hons)

Attended Board Meetings
Financial year ended 31 December 2019

100%
9/9

Malaysian
67
Female
Appointed on
1 August 2018

Ms. Soo Chow Lai, aged 67, 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 from University of Malaya.

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 companies' 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 all the 9 Board Meetings which were held during the financial year ended 31 December 2019.

MS. KONG THIAN MEE

Company Secretary
FCIS (CS) (CGP)

Malaysian
50
Female
Appointed on
1 August 2000

Ms. Kong Thian Mee, female, age 50, was appointed as Company Secretary of LPI Group on 1 August 2000 and has been with the Company since 1993. She is the Secretary for all the Board Committees and a member of the Investment Committee. Further, Ms. Kong is also the Company Secretary of an associate company, Campu Lonpac Insurance Plc. She has more than 25 years experience in Secretariat and Human Resource. Presently, she oversees Secretariat, Human Resource and Training matters.

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

BOARD SKILLS MATRIX AND EXPERIENCE

Tan Sri Dato' Sri Dr. Teh Hong Piow	Entrepreneurship, Banking, Insurance & Investments
Mr. Tee Choon Yeow	Finance & Insurance
Mr. Tan Kok Guan	Insurance
Mr. Lee Chin Guan	Legal
Mr. Quah Poh Keat	Finance, Audit & Taxation
Ms. Chan Kwai Hoe	Compliance & Insurance
Ms. Soo Chow Lai	Reinsurance & Investments

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.

WHO LEADS US
KEY SENIOR MANAGEMENT

Malaysian | 63 | Male

Date Appointed to Senior Management:
1 March 1994

TAN KOK GUAN

Chief Executive Officer/ Executive Director (LPI Capital Bhd)

Please refer to page 78 for the profile of Chief Executive Officer/ Executive Director (LPI Capital Bhd).

Malaysian | 60 | Male

Date Appointed to Senior Management:
1 February 2008

LOOI KONG MENG

Chief Executive Officer/ Executive Director (Lonpac Insurance Bhd)

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 on 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).

Malaysian | 57 | Male

Date Appointed to Senior Management:
1 January 2013

CHUANG CHEE HING

Deputy Chief Executive Officer (Lonpac Insurance Bhd)

Working Experience

Mr. Chuang Chee Hing, was appointed to the senior management position upon his promotion to Chief Operating Officer on 1 January 2013. He has more than 30 years of experience in the general insurance industry. He 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.

WHO LEADS US

HEADS OF DEPARTMENT

LONPAC INSURANCE BHD
(Wholly-owned subsidiary of LPI Capital Bhd)

BUSINESS DEVELOPMENT DIVISION

Yow Kai Fook
B. Chem. Eng.
Business Development – Senior General Manager

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

Yap Chee Kiat
ANZIIF (Snr. Assoc.)
Financial Institution and Customer Service – Assistant General Manager

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

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

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

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

Alvin Lim Jun Sum
B.A. Actuarial Science
Product Development – Manager

TECHNICAL DIVISION

Peter Puah Boon Kee
B.E. (Civil) (Hons.)
Chief Underwriting Officer

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

Chan Chee Choy
B.B.A., AMII
Underwriting II – Director

Voon Wing Chuan
Chartered Insurer, B.A. (Econs.) (Hons.), MBA, ACII, AMII, ANZIIF (Snr. Assoc.)
Chief Claims Officer

Chew Han Wah
B. Com. (Hons.), FIAA, FASM
Appointed Actuary

Lee Chiew Lai
B. Sc.
Chief Risk Officer

Lee Wai Khong
B. Sc.
Pricing – Manager

INTERNAL AUDIT

Irene Hwang Siew Ling
B. Acc. (Hons.), CA (M'sia), CPA (M'sia), CMIIA
Chief Internal Auditor

SUPPORT DIVISION

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

Cynthia Ng Boon Howe
B. Comp. Sc.
Chief Information Officer

Ng Seng Khin
B. Acc. (Hons.), CA (M'sia)
Chief Financial Officer

Vijayan a/l Ramanjulu
LLB
Chief Compliance Officer

Katherine Ooi Seok Peng
DES
Administration – Manager

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 Board is responsible for setting the direction on the ethical standards, strategy and operations of LPI Group. The LPI Group's approach is further formalised in both its Code of Ethics for Directors and the Code of Ethics for Employees. Appropriate structures and forums have been established to help govern the management of ethics and fraud.

OUR COMMITMENT TO STRONG GOVERNANCE

Our Board of Directors provides ethical and effective leadership through high standards of governance, ethical values and business integrity, while recognising the Company's responsibility to conduct its affairs with responsibility and fairness, safeguarding the interests of all stakeholders. The Board views governance as being key to the long-term success of LPI Group and is ultimately responsible for ensuring that corporate governance standards are set and implemented throughout the Group. The LPI Group regularly reviews its governance structures and processes to reflect best practice and to facilitate effective leadership, corporate citizenship and sustainability, thereby supporting the Group's business strategy.

Details of LPI Capital Bhd's application and explanation of the MCCG 2017 principles are available in the Corporate Governance Report, which can be found on the Company's website. In instances where the Company has elected not to apply certain recommended practices, the rationale is explained in the relevant sections of the report. Only the salient points of the Board Charter and the terms of reference of the Board Committees have been included in this report. The complete documents are available on the Company website.

The Board is cognisant of the regulatory environment that governs the business landscape. The Board is of the opinion that the Company has complied with Bursa Malaysia Securities Berhad's Main Market Listing Requirements and Companies Act 2016, during 2019.

OUR APPROACH TO GOVERNANCE

LPI Group's commitment to good governance is formalised in its charter, policies and operating procedures. Governance processes are regularly reviewed to take the evolving regulatory environment and best practice into account. The Board Committees fulfil key roles in the application of good corporate governance. The LPI Group is responsible for conducting its affairs with prudence and safeguarding the interests of all its stakeholders. The Board considers the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of its duties in the best interests of the Group over the longer term. The Board assumes responsibility for the governance of stakeholder relationships and monitors the effectiveness of LPI Group's stakeholder management.

The Board is responsible for setting the direction on the ethical standards, strategy and operations of LPI Group. The LPI Group's approach is further formalised in both its Code of Ethics for Directors and the Code of Ethics for Employees. Appropriate structures and forums have been established to help govern the management of ethics and fraud.

The Code of Ethics for Directors and Code of Ethics for Employees prescribe strict compliance by all Directors and employees with relevant legal requirements and regulations that apply to their areas of work. The Codes of Ethics also regulate conflicts of interest and key ethical risks in the Company.

Directors are entitled to seek independent professional advice at the Company's expense (after consultation with the Chairman of the Board), as and when required, in fulfilling their duties. No Directors exercised this right during the period under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INSTILLING TRUST

We operate in an industry where integrity and trust are of utmost importance. The trust and confidence that customers and the public have in us are vital to the continued growth and success of 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 continues to take proactive steps 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:

POLICY AND PROCEDURE ON FIT AND PROPER FOR KEY RESPONSIBLE PERSONS AND COMPANY SECRETARY

The Group has a Fit and Proper for Key Responsible Persons and Company Secretary Policy, which aims to ensure that Directors and key positions within the Group are led by personnel who fulfil the following criteria:

(a) Probity, Personal Integrity and Reputation – possesses personal qualities such as honesty, integrity, diligence, independence of mind and fairness;
(b) 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
(c) Financial Integrity – able to manage his own financial affairs properly and prudently.

All members of the Management of LPI Group are also required to declare whether they are holding an aggregate interest of 5% or more in the shares of the Company. This is to ensure that there is appropriate separation between ownership and management of the LPI Group.

ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM POLICY

Money laundering and terrorist financing have been identified as major threats to the Group. The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFA) is designed to prevent money laundering and to combat terrorism financing. AMLATFA, together with regulations, rules and industry guidance, forms the cornerstone of anti-money laundering and terrorism financing obligations for financial institutions in Malaysia and outline the offences and penalties for failing to comply.

The Group remains steadfast in fulfilling its legal and regulatory obligations without exception and is committed to prevent the use of its products and services for money laundering or terrorism financing.

ANTI-BRIBERY AND CORRUPTION POLICY

The Group advocates zero tolerance towards fraud and corruption. The Group has an anti-bribery and corruption framework and policy which set out the Group's policies to prevent acts of bribery and corruption and applies to all employees and those who work for or associated with the Group in regards to observing and upholding the Group's zero-tolerance position on bribery and corruption.

It also exists to act as a source of information and guidance for those working for the Group. It helps them recognise and deal with bribery and corruption issues, as well as understand their responsibilities.

These policies and procedures have been designed to comply with legislation and policies governing bribery and corrupt practices in Malaysia[1] as well as on a global basis[2].

1 Malaysian Anti-Corruption Commission Act 2009.
2 Financial Task Force International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (FATF 40 + 9 recommendations).

CODE OF ETHICS

It is the duty of every LPI Group employee to uphold and abide by high standards 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.

Competence

All employees shall develop and maintain 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.

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.

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.

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

AND CREATING VALUE

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.

BOARD ACTIVITIES IN 2019

The respective Board received updates from the Chief Executive Officer, the Management and from the respective Chairs of Board Committees. A schedule of Board activities for the year is provided below:

LPI Capital Bhd & Lonpac Insurance Bhd (LPI Group)
Summary of the key activities of the Boards of LPI Group in 2019 :-

STRATEGY
- Review and approve Lonpac's business plan together with the budget and the implementation thereof.
- Review and approve the Treaty Reinsurance Programme for year 2019.

FINANCIAL
- Review and approve the Director's Report and Audited Accounts for the financial year ended 31 December 2019.
- Review and approve the Quarterly Results and the Quarterly Press Release for announcements to Bursa Malaysia Securities Berhad.
- Approve dividend payments and review the solvency position of the Company.
- Review of the Group's compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), Malaysian Accounting Standards Board, Companies Act 2016 and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements.
- Review and note monthly business operation reports.
- Note Management's quarterly update on the progress report on MFRS 17.

RISK MANAGEMENT AND INTERNAL CONTROL
- Review and approve the Statement of Internal Control & Risk Management for the Annual Report.
- Review and approve the proposed amendments to Business Resumption Continuity Plan Manual for the Group.
- Note the policy documents and letters issued by Bank Negara Malaysia (BNM).
- Review and approve the following reports for submission to BNM :-
  - Actuarial Report and Financial Condition Report
  - Internal Capital Adequacy and Assessment Process (ICAAP) Reports and Risk Reports
  - Outsourcing Risk Management Framework and Outsourcing Plan
  - Compliance Plan
- Review and approve the following reports for submission to the Monetary Authority of Singapore (MAS) :-
  - Outsourcing register
  - Own Risk and Solvency Assessments (ORSA)
- Note the Flood & Earthquake Report, Risk Profile & Capital Adequacy Report and IT Vulnerability Assessment Report.
- Note the risk assessment report on internal audit department.
- Note the risk assessment report on high impact projects.
- Note Appointed Actuary's independent review on product pricing.

GOVERNANCE
- Confirm the Directors' Resolutions passed by the Board.
- Note the Minutes of Meetings of the Board Committees.
- Review and approve the submission of semi annual return to Bursa Malaysia Securities Berhad.
- Review and approve the new adoption of Constitution.
- Review and approve the revised Board Charter and revised Terms of Reference of the Nomination and Remuneration Committee.
- Review and approve the revised policy and procedures for the Group.
- Review and approve the assessments by the Nomination and Remuneration Committee on the performance and effectiveness of the Board, Board Committees, individual Directors and independent directors.
- Review and approve the assessments by the Nomination and Remuneration Committee on the performance of Key Responsible Persons and the Company Secretary.
- Review and approve the assessment by the Nomination and Remuneration Committee on the term of office of the Audit Committee members.
- Recommend the re-appointment of the Group's external auditor for the financial year ending 31 December 2020 and for the Directors to fix their remuneration.

LEADERSHIP & PEOPLE
- Review and assess the retirement of Directors by rotation and eligibility for re-election.
- Review the training for the Board.
- Review the recommendation for the directors' fees, directors' meeting attendance benefit and board committee allowance benefit for shareholders' approval.
- Review the recommendation for the insurance benefits to be paid to the Non-Executive Directors for shareholders' approval.
- Review and approve the remuneration of the Chief Executive Officer/ Executive Director, Key Responsible Persons and Company Secretary.

SHAREHOLDERS & ENGAGEMENT
- Review and approve the Annual Report 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP AND EFFECTIVENESS (PRINCIPLE A)

Board and Board Committees

The Board is responsible for directing, administering and controlling the affairs of the Company in a transparent, fair and responsible manner. The Board recognises its responsibility to shareholders, employees and the community to uphold high standards in managing economic, social, environmental and ethical matters and ensuring that the Company conducts its activities according to requirements and best practice.

The Board is accountable for, inter alia the following:

- Approve the risk appetite, business plans and other initiatives, which would, singularly or cumulatively, have a material impact on the Company's risk profile.
- Oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of Management, such that the Board is satisfied with the collective competence of Management to effectively lead the operations of the Company.
- Establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies.
- Establish a rigorous process for the appointment and removal of Directors. Direct engagements between a candidate and the Board Nomination and Remuneration Committee are an important way to ascertain the suitability of each candidate for the Board.
- Engage external consultants or experts periodically to assist in and lend objectivity to the annual Board evaluations.
- Dedicate sufficient resources toward the ongoing development of its Directors. This must include dedicating an adequate budget, having in place development plans for Directors and regularly updating such plans to ensure that each Director possesses the knowledge and skills necessary to fulfil his responsibilities.
- 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.
- Ensure there is a sound framework for internal controls and risk management.

Attendance Record

Name	Designation	Tenure	Date of Appointment
Tan Sri Dato' Sri Dr. Teh Hong Piow	Non-Independent Non-Executive Chairman	48	27 September 1971
Mr. Tee Choon Yeow	Independent Non-Executive Co-Chairman	28*	29 October 1991
Mr. Tan Kok Guan	Chief Executive Officer/ Executive Director	23	29 October 1996
Mr. Lee Chin Guan	Independent Non-Executive Director	4	8 October 2015
Mr. Quah Poh Keat	Non-Independent Non-Executive Director	10	2 January 2009
Ms. Chan Kwai Hoe	Independent Non-Executive Director	4	1 July 2015
Ms. Soo Chow Lai	Independent Non-Executive Director	1	1 August 2018
Ms. Kong Thian Mee	Company Secretary	-	1 August 2000

* Mr. Tee Choon Yeow was the Chief Executive Officer/ Executive Director of the Company until he retired in 2013 and thereafter served as a 1 March 2015 and appointed as Co-Chairman of the Company on 8 July 2015.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- 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 Board has delegated specific functions to the Board Committees to assist it in meeting its oversight responsibilities. This ensures that the activities of the Company are managed in a manner consistent with the ethical leadership and values of LPI Group. The roles and responsibilities of each Board Committee are set out in terms of reference that are reviewed periodically by the Board. The Terms of Reference of each of the Board Committee can be found on the Company's website at www.lpicapital.com. The Directors confirm that the Board Committees have functioned in accordance with these terms of reference during the year.

These Board Committees assist the Board in discharging its duties and responsibilities. Ultimate responsibility rests with the Board and the Board does not abdicate its responsibility to the Board Committees. The Board Committees report on their activities to the Board in a timely manner and the minutes of the Board Committee meetings are provided to all Board members. Notwithstanding the delegation of functions to the Board Committees, the Board remains ultimately accountable for the proper fulfilment of these functions, including the appointment, fees and terms of engagement of the external auditor, after having been reviewed by the Audit Committee.

All the Board Committees are chaired by Independent Non-Executive Directors, except the Investment Committee, which is chaired by Tan Sri Dato' Sri Dr. Teh Hong Piow, a Non-Executive Director who is not independent. Tan Sri Dato' Sri Dr. Teh Hong Piow is the Chairman of LPI Capital Bhd. The Board supports this chairmanship despite his non-independence, given his knowledge of the Group, his commercial experience and the necessity to align the Group's investment approach with the Group business strategy.

Appointments to the Board are formal and transparent and are a matter for the Board of Directors as a whole, assisted by the Nomination and Remuneration Committee, as required by the Main Market Listings Requirements of Bursa Malaysia Securities Berhad. Directors appointed are subject to re-election by the shareholders at the Company's Annual General Meeting (AGM) and to the Companies Act provisions relating to their removal.

The Board Charter depicts a clear balance of power and division of responsibilities and authority at Board level. This guarantees an appropriate balance of power and authority and ensures that no individual Director has unfettered powers of decision-making or influence over the Board. The Board Charter can be found in the Company website www.lpicapital.com.

Board	Audit Committee	Nomination & Remuneration Committee	Risk Management Committee	Investment Committee
9/9	N/A	N/A	N/A	*Chairman* 4/4
9/9	4/4	*Chairman* 5/5	*Chairman* 3/3	N/A
9/9	N/A	N/A	N/A	4/4
9/9	*Chairman* 4/4	5/5	3/3	N/A
9/9	N/A	5/5	3/3	N/A
9/9	4/4	5/5	3/3	N/A
9/9	4/4	N/A	3/3	N/A
N/A	N/A	N/A	N/A	4/4

DIRECTORS HOLDING ONE LISTED DIRECTORSHIP **4**

DIRECTORS HOLDING TWO LISTED DIRECTORSHIPS **2**

DIRECTOR HOLDING FOUR LISTED DIRECTORSHIPS **1**

100% ATTENDANCE RATE

Non-Independent Non-Executive Director of the Company. He was re-designated as Independent Non-Executive Director with effect from

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Roles

Chairman
Provides overall objective leadership to the Board of Directors. The Chairman leads the Board in establishing and monitoring good corporate governance practices in the Company. The Chairman is a Non-Independent Non-Executive Director.

Co-Chairman
Primary function is to preside over meetings of Directors and shareholders, to enable the smooth functioning of the Board and to oversee the dissemination of timely and accurate information to allow the Directors to perform their duties effectively.

Executive and Non-Executive Directors
All Directors have a fiduciary duty to exercise due care and skill in carrying out their mandate as Directors of the Company. In doing so, the Directors act in the best interest of the Company at all times, and do not derive any profit as a result of their fiduciary relationship with the Company.

Chief Executive Officer
Reports to the Board and is responsible for managing the execution of the strategy as approved by the Board. Board authority conferred on management is delegated through the Chief Executive Officer in terms of approved authority levels.

Senior Independent Director
Ensures all independent directors have the opportunity to give input on the agenda, and advise the Chairman on the information submitted by Management that is necessary or appropriate for the independent directors to perform their duties effectively. He also serves as a designated contact for shareholders and other stakeholders with concerns which would not be appropriate to be communicated through the normal channels.

Company Secretary
Provides guidance to the Board collectively and to individual Directors on how to discharge their responsibilities properly in terms of applicable legislation and regulations, and in the best interests of the Company. The Directors have unlimited access to the advice and services of the Company Secretary.

• Board Composition

The Nomination and Remuneration Committee follows a formal process to review the balance, effectiveness and diversity of the Board and its Board Committees. It identifies the skills required and those individuals that are seen to provide such skills in a fair and thorough manner. The Nomination and Remuneration Committee also considers other commitments of Directors and whether each Director has sufficient time to fulfil his/her responsibilities as Director. If the Nomination and Remuneration Committee believes that a Director is over-committed or has an unmanageable conflict, the Chair will meet with that Director to discuss the resolution of the matter to the satisfaction of the committee. At the end of 2019, the Board comprised 7 members.

• Board Diversity

LPI Group recognises and embraces the benefits of a diverse Board. Its Board Diversity Policy advocates the efficacies of diversity which considers gender, ethnicity, age, business experience, skills, expertise, qualification and cultural backgrounds. The Nomination and Remuneration Committee constantly review suitable woman candidate for appointment to the Board, to achieve the target of 30% of female Board members.

• Time Commitment

As stated in the Board Charter, the Directors must not hold more than 5 directorships in listed issuers. While there is no restriction on directorships in non-listed issuers, Directors should avoid over commitment in multiple directorships which may affect their performance in carrying out their role as Directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- **Board Independence**

The Board has established a policy on maximum tenure of 9 years for Independent Directors. The independence of each Non-Executive Director is reviewed annually. Their independence in character and judgement, as well as the presence of any relationships or circumstances which are likely to affect, or could appear to affect, their objectivity, are taken into consideration. Each Director has the opportunity to declare any interests that might occur at each Board meeting. Directors with declared interests abstain from both discussion and decisions relating to those interests.

Based on the recommendation of the Nomination and Remuneration Committee, the Board is comfortable that each of the Non-Executive Directors met the requisite fit and proper requirements which include the criteria for independence. This assertion, however, excludes the Chairman of the Board, Tan Sri Dato' Sri Dr. Teh Hong Piow who has interest in the Group and Mr. Quah Poh Keat, who has served beyond the 9-year independence of the Company tenureship. Mr. Tan Kok Guan is the Chief Executive Officer/ Executive Director.

The Chairman of the Board is therefore not independent. The Board considered the governance deviation in the appointment of the Board Chairman but agreed that the Chairman's long-term association with LPI Group combined with his industry experience and expertise, ensured that he would add value to the Board as well as the Group's future growth.

Consequently, in the spirit of promoting good governance and to continuously evaluate the Board's performance and effectiveness in executing its governance responsibility, the Board has appointed a Senior Independent Director, Mr. Tee Choon Yeow. The Senior Independent Director serves as a sounding Board for the Chairman and acts as an intermediary between the Chairman and other members of the Board, if and when necessary.

Appointment and Re-Election of Directors

The Nomination and Remuneration Committee ensures that the Board's composition reflects demographic and gender diversity and contains the appropriate mix of skills and experience. When appointing Directors, the Board considers its needs in terms of skills, experience, diversity and size. A formal, transparent Board nomination process is described in a policy that details procedures for appointment to the Board. The Company supports the principles and aims of appropriate gender diversity at Board level.

In terms of this policy, if there is a vacancy on the Board or if an additional Board appointment is required, the Board will consider making an appointment that will attain and maintain the best mix of diversity consistent with the skills, expertise, experience and background required to fill such a position, the availability of suitable candidates and the development potential of candidates. The Board will also consider any additional requirements that may be necessary to ensure a suitable mix of skills and experience on the Board and its Board Committees to best serve the interests of the Company and its stakeholders.

Based on the recommendation from the Nomination and Remuneration Committee, the Board considers the nomination of new Directors for appointment – or re-election in the case of existing Directors. Directors do not have a fixed term of appointment. In accordance with the Company's Constitution, a third of the Directors must retire at the AGM annually. All Directors are subject to retire, by rotation, at least once in each 3 years but shall be eligible for re-election. The details regarding the Directors standing for re-election at the next AGM are contained in the Company's notice of the AGM. For the subsidiary, Lonpac Insurance Bhd, the director's appointments and renewals are subject to Bank Negara Malaysia's approval as well.

New Director appointed by the Board during the year, if any, is required to retire at the next AGM and stand for election by shareholders.

At the AGM, shareholders vote by a single resolution to determine whether the Director will be appointed. The appointment of Non-Executive Directors is formalised by a letter of appointment between the Company and the Non-Executive Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Whistleblowing

All stakeholders are encouraged to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner, without fear of retaliation i.e. discrimination, reprisal, harassment, victimisation or vengeance.

The Group has a whistleblowing policy that provides a transparent and confidential avenue for stakeholders to raise concerns which could 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.

The concerns raised may be investigated separately where it might lead to the invocation of other disciplinary procedures.

The Board regularly reviews this policy to ensure it remains consistent with the Board's objectives and responsibilities, and relevant standards of corporate governance.

Board Evaluation and Training

The Board reviews annually the range of skills, experience and effectiveness of its Directors and also the effectiveness of the Board as a whole and each Board Committee via the Nomination and Remuneration Committee. This is done using a formal peer review evaluation process. The Nomination and Remuneration Committee considers the results of the evaluation and makes recommendations to the Board, as appropriate.

The evaluation during the year under review, found no significant matters or material concerns in respect of the Board and Board Committees' performance. The results indicated that the Board was functioning effectively, the core Board processes were working well, and the Board was well balanced. The Directors believe that board meetings were well organised and efficiently run and all relevant aspects of the Company's business were dealt with by the Board and its Board Committees.

An ongoing Director development programme focuses on existing Board members and aims to create an evolving understanding of the business, governance and the compliance environment in which it operates. The Director development programme includes regular training updates and information sessions. New Directors are to complete a formal induction programme which allow the new Directors to meet with the Management and also be familiarised with Company's business operations and governance framework. Directors receive appropriate training, reading material and guidance on their duties and responsibilities, LPI Group's business environment and sustainability issues relevant to the business.

Information Provided to the Board

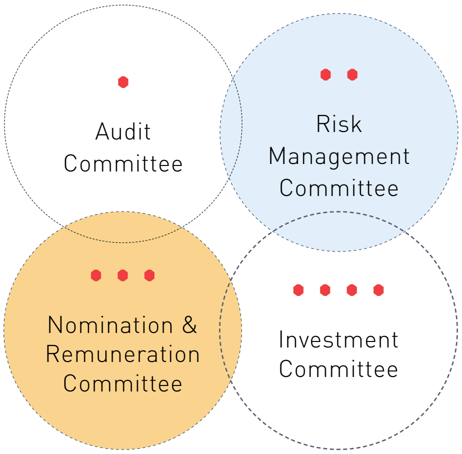
As set out in the Board Charter, members of the Board are ensured of receiving timely and high quality supporting information. This covers the Company's performance to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Company. Working in collaboration with the Chairman, the Company Secretary is responsible for ensuring good governance and consults Directors to ensure that good information flows exist and that the Board receives the information it requires to be effective.

The Board convenes board meetings at least 4 times a year. 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.

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. Any decision of the Board must have at least two-thirds (2/3) of the board members in attendance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board has established the following Board Committees to assist the Board in the discharge of their duties:



Nomination and Remuneration Committee

The Nomination and Remuneration Committee has a dual role of assisting the Board in determining the composition and make-up of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise.

The Board has put in place Board Succession Plan Policy to assist the Nomination and Remuneration Committee to:

- Identify suitable candidates ahead of time in order to facilitate a rapid response to an anticipated retirement or unanticipated departure of directors; and
- Assess the competencies as well as the skills and experience of the new directors in order to ensure that they bring to the Board the required skills and experience to fill the defined gaps.

On the remuneration front, the Nomination and Remuneration Committee recommends what policy the Group should adopt on executive remuneration and, within the terms of the Directors' Remuneration Policy determines the remuneration benefits and compensation payments for all Directors. The Nomination and Remuneration Committee is also guided by Group Remuneration Policy to ensure the remuneration to the employees of the Company is aligned with individual performance with the Group's goals and objective. The Terms of Reference of the Nomination and Remuneration Committee can be found on the Company's website and the composition of the committee on pages 86 to 87 of this report. During the year under review, the Nomination and Remuneration Committee's activities are listed below:

- Facilitated annual assessment and reviewed 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 respective Board Committees' terms of reference.
- Facilitated 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 diversity (including age and gender), knowledge, skills, experience, expertise, attributes and core competencies in the Board's composition.
- Conducted assessment on Directors who are subject to re-election by rotation pursuant to Companies Act 2016 and recommended to the Board for approval.
- Performed annual assessment on Directors, Chief Executive Officer and Management, who are Key Responsible Persons, and Company Secretary to ensure that they fulfilled fit and proper requirements as stated in the Company's Policy and Procedure on Fit and Proper for Key Responsible Persons and Company Secretary.
- Noted the annual declaration on fitness and propriety by the Directors and Company Secretary.
- Conducted annual assessment on Independent Directors for recommendation to the Board.
- Assisted the Board in assessing the training needs of the Directors and reviewed the trainings attended by the Directors during the year.
- Reviewed the term of office and performance of the Audit Committee and each of its members and recommended to the Board for re-appointment in year 2020.
- Reviewed and recommended the proposed remuneration for Directors, Chief Executive Officer and Management, who are Key Responsible Persons, and Company Secretary to the Board for approval.
- Reviewed and recommended the renewal of employment contract of Chief Executive Officer/ Executive Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- The Board has delegated responsibility for the recommendation of the remuneration arrangements for the Chairman, Co-Chairman, Chief Executive Officer/ Executive Director, Non-Executive Directors and Management who are key responsible persons to the Nomination and Remuneration Committee.

Remuneration

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

The Nomination and Remuneration Committee is guided by the following principles in developing the remuneration package for Directors:

A Salaries payable to Executive Director shall not include a commission on or percentage of turnover;

The remuneration packages for Executive Director should involve a balance between fixed and performance-linked elements. The relative weightage of fixed and variable remuneration for target performance varies with 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 Executive Director as well as responsibility undertaken and is structured so as to link the short and long-term rewards to both corporate and individual performance.

B Fees payable to Non-Executive Directors are a fixed sum, and not paid by a commission on or percentage of profits or turnover; and

Non-Executive Directors' remunerations include consideration of their qualification, experience and competence and having regard to their responsibilities, time commitment and annual evaluation as undertaken by the Nomination and Remuneration Committee. In this regard, the Chairman of the Board shall be remunerated with a higher retainer fee to reflect the additional responsibilities assumed by him.

C Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of the Company's remuneration packages vis-à-vis other companies. However, such comparisons will be utilised with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and to avoid paying more than is necessary.

The proposed recommendation of the remuneration package is approved by the Board and shareholders thereafter.

The Directors' Remuneration Policies and Procedures are reviewed regularly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Remuneration Policy for Employees

The Group Remuneration Policy aligns with the Group's vision and mission. The policy assesses individual performances against the Group's goals and objectives. The Policy is supported by a robust performance management system which is underpinned by sound risk management, ethics and corporate responsibility and seeks to drive employee's dedication, diligence and increase competency levels. The Policy is reviewed periodically.

Policy Objectives

- To formulate a framework which provides a remuneration mechanism that attracts, motivates, encourage and retain employee of the highest caliber.
- To ensure compliance and maintain high standards of governance.
- To provide remuneration that is performance-based.
- To achieve fairness, equity and consistency in remuneration and rewards.

Underlying Principles

Business Focused
Remunerations must be relevant and aligned towards the achievement of the Group's business results.

Prudent
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.

Performance Driven
The performance assessor must have adequate quantitative and qualitative measurements of performance before practicable and measurable recommendation on remuneration is made.

Fair
There must be no discrimination, biased treatment or any form of exploitation. Proper, fair and logical justification must ensue.

Transparent
Employees should understand the expectations set out and seek for clarification where necessary.

Remuneration Components

- Components within the Group's remuneration structure consist of mandatory elements of fixed and variable components.
- The structure is continuously monitored to ensure alignment with the Group's objectives, local employment market conditions and industry standards in which the Group operates.
- Presently, the Group's remuneration structure comprises of four (4) basic reward components, namely salary (fixed), benefits and compensation (fixed), performance bonus (variable) and deferred extraordinary bonus (variable).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

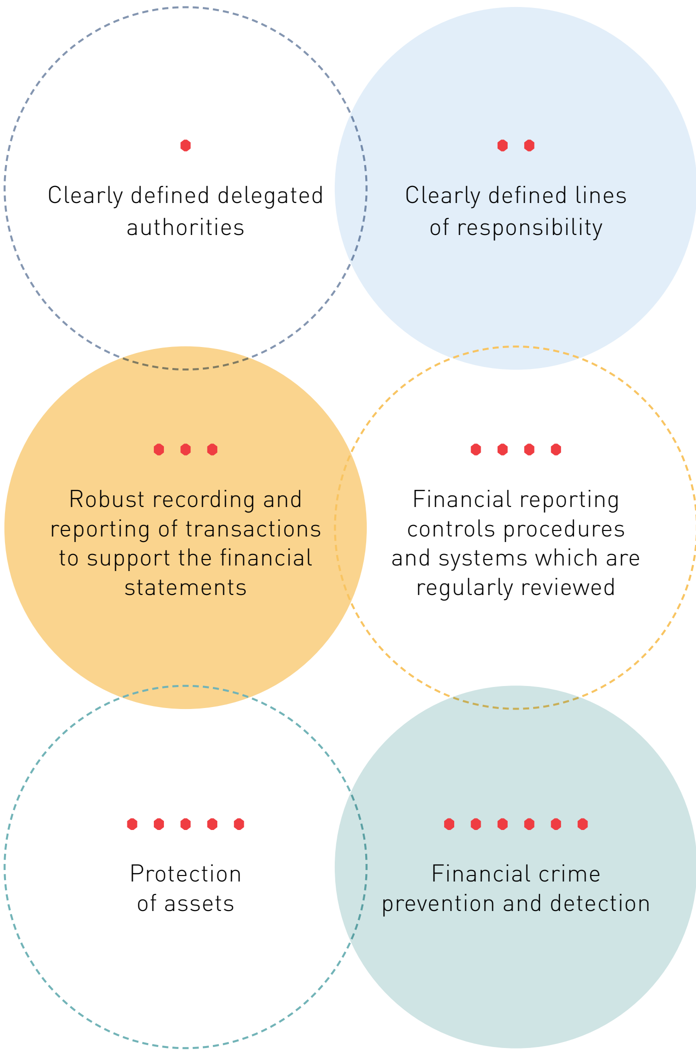
ACCOUNTABILITY (PRINCIPLE B)

Risk Management and Internal Controls

The Directors are responsible for ensuring that Management maintains an effective Risk Management and Internal Control Framework (Framework) and for assessing its effectiveness. Such Framework is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement.

LPI Group is committed to operate within strong internal control systems that enable business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage.

LPI Group's principles of internal control are to maintain:



The Framework aims to align strategy, capital, processes, people, technology and knowledge in order to evaluate and manage business opportunities and threats in a structured, disciplined manner. The principal risks are set out on pages 74 to 75.

The Audit Committee regularly reviews the system of the Group's internal control on behalf of the Board. The Risk Management Committee oversees the Group's risk management framework. In addition, all the Board Committees in the Group receive regular reports from Management, Internal Audit, Finance, Compliance and Legal functions covering, in particular, financial controls, compliance and other operational controls. Throughout the year ended 31 December 2019 and to date, the Group has operated within strong internal control systems that provide reasonable assurance of effective operations covering all controls, including financial and operational controls and are in compliance with applicable regulatory requirements. Processes are in place for identifying, evaluating and managing the principal risks.

Internal Control Over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with the Malaysian Financial Reporting Standards (MFRS). Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit the preparation of financial statements in accordance with MFRS and that receipts and expenditures are being made only in accordance with authorisations of management and the respective Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

Assurance that these controls are adequate and operating effectively is obtained through regular control self assessments and regular independent assurance activity undertaken by first line management and Internal Audit respectively. Conclusions are reported to the Audit Committee which examines the conclusions and provides further challenge. Finally, the Board scrutinises and approves results announcements and the Annual Report, and ensures that appropriate disclosures have been made. This governance process ensures that both Management and the Board are given sufficient opportunity to debate and challenge the Group's financial statements and other significant disclosures before they are made public.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

RELATIONS WITH STAKEHOLDERS (PRINCIPLE C)

Shareholders

Shareholders are one of the Group's key stakeholders and from a corporate governance perspective, the importance of the key elements of the relationship can be illustrated as follows:

Shareholder's Rights

- Shareholders have a set of rights including to receive declared dividends and to vote and attend general meetings.
- Shareholders can make enquiries with the Board through the Company Secretary via email at lpicosec@lonpac.com or by posing questions at Company's general meetings.

Responsibilities to Shareholders

- The Board and Senior Management recognise their responsibilities to represent the interests of shareholders as a whole.
- The goal is to create long-term sustainable value for shareholders.

Primary Contact for Shareholders

AGM HELPDESK

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

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

Communication with Stakeholders

The importance to LPI Group of an effective dialogue with shareholders and investors has been recognised with the investor relations activities. These activities form the basis for extensive and ongoing engagement with the shareholders and the investment community.

Multiple Channels of Communication and Engagement Channels

Annual General Meeting

- Chairman Keynote Speech
- Led by Chairman, and attended by LPI Board, and Senior Management
- Brief review of the financial performance of LPI Group by Chief Executive Officer/ Executive Director
- High voting approval rate on resolutions considered

Reports and Announcements

- Annual Reports
- Quarterly Reports
- Announcements to Bursa Malaysia Securities Berhad and Media releases

LPI Website

- AGM minutes
- Policies and Procedures
- Constitution
- Reports and Announcements
- Share Price Information
- Dividend History
- Financial Calendar

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 15 January 2020.

A copy of the Corporate Governance Report on disclosure on application of each practice in MCCG, can be downloaded from the Company's website, Corporate Governance Section, at www.lpicapital.com.

BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There was no corporate proposal during the financial year ended 31 December 2019.

Disclosed in accordance with Appendix 9C, Part A, item 13 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

AUDIT AND NON-AUDIT FEES

The details of the statutory audit, audit-related and non-audit fees paid/ payable in 2019 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	400
- Overseas affiliates of KPMG	-	394
• Non-audit services		
- KPMG *	5	106
- Local affiliates of KPMG **	8	42
- Overseas affiliates of KPMG **	-	24
Total	103	966

* The non-audit services fees paid/ payable to KPMG were for the interim review of the subsidiary company for 6 months ended 30 June 2019, 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 and overseas affiliates of KPMG were for 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.

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 2019 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.

RECURRENT RELATED PARTY TRANSACTIONS

LPI Group 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.

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)

Chan Kwai Hoe
Independent
Non-Executive Director
BEc (Hons) Analytical Econs

Soo Chow Lai
Independent
Non-Executive Director
BA Econs (Hons)

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is established by the Board of Directors ("Board") and comprises four Independent Non-Executive 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 2019 are as follows:

Name of Audit Committee Member	Designation	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
Chan Kwai Hoe	Member/ Independent Non-Executive Director	4/4
Soo Chow Lai	Member/ Independent Non-Executive Director	4/4

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 15 January 2019.

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, recommended them to the Board for adoption.
- Reviewed and recommended the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements for the 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.

AUDIT COMMITTEE REPORT

- Reviewed the documents for Solvency test on the declaration and payment of dividend, as required by Section 132 of the Companies Act 2016.
- Noted the quarterly progress reports on MFRS 17 Insurance Contracts.

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.
- Deliberated on the Internal Audit Report on Review of Stress Test Policy pursuant to the Policy Document on Stress Testing issued by BNM.
- Discussed the 2018 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 2018.
- 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.
- Deliberated on the Report on Actuarial Valuation Process.
- Reviewed the Internal Audit Report on Review of Data Management and Management Information System ("MIS") Framework pursuant to Guidelines on Data Management and MIS Framework issued by BNM.
- Reviewed the Internal Audit Report on Review of Management of Customer Information and Permitted Disclosures pursuant to Policy Document on Management of Customer Information and Permitted Disclosures issued by BNM.
- Approved the Internal Audit Plan 2020.
- Noted the Conclusion Report on Audit Findings.
- Noted the Report on Internal Audit Function.
- Noted the resignation of Internal Audit staff.
- Noted the inspection report from Monetary Authority of Singapore on its inspection on Lonpac Singapore branch under Section 40 of the Insurance Act (CAP 42).
- Reviewed and assessed the performance and contributions by the Chief Internal Auditor for the financial year ended 31 December 2019.
- Resolved to grant the ex-gratia payment, bonus payment for year 2019 and increment for year 2020 to the Chief Internal Auditor.

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.

AUDIT COMMITTEE REPORT

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 and assessed 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.

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 Chief Internal Auditor ("CIA") reports directly to the Audit Committee to maintain the objectivity and independence of the Internal Audit function. The CIA 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, objectivity, resources and scope of 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.

AUDIT COMMITTEE REPORT

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;

Nature of the related party transactions and conflict of interest situation that could raise questions of management integrity;

Adequacy and effectiveness of the Group's system in assessing its capital in relation to its estimate of risks;

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;

Quality and effectiveness of the stress test policy;

Adequacy and effectiveness of the Validation Programme for DLS Quantitative Information and RCL to PIDM;

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;

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 actuarial valuation process.

AUDIT COMMITTEE REPORT

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 2019 was RM3,022,000.

A summary of the internal audit costs is as follows:

Cost Category	RM'000	% of Total Cost
Manpower	2,916	96.5
Training	16	0.5
Travelling (inclusive of accommodation)	90	3.0
Total	**3,022**	**100.0**

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'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 to ensure that it 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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Group Risk Management and Internal Control Framework

- 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 ("BNM") 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 the respective risk owners and to assess the overall risk environment of the Group.

- Enterprise risk management is the holistic and structured process, effected top-down, from the Board to the Management and the employees across the Group, that addresses the uncertainties surrounding potential events that may affect the Group 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 Group's risks in accordance to its risk appetite and tolerance, so that the Group's values to its stakeholders are sustainable.

  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 Group, increase the effectiveness of the Group's operation, and align the Group's risk appetite and tolerance more effectively.

  The 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.

- 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:

Approval of risk management policies, risk appetite and risk tolerance	• Board • RMC at LPI Board • RMCC at Lonpac Board

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Group Risk Management and Internal Control Framework

Implementation of enterprise risk management, independent review and compliance	• Enterprise Risk Management ("ERM") Department • Internal Audit Department ("IAD") • Compliance & Legal Department
Implementation, development and giving feedback of risk management policies	• Business Development Division • Underwriting Division • Claims Department • Information Technology Department • Accounts & Finance Department • Human Resource Department • Actuarial Department • Pricing Department • Administration Department • Secretariat Department

The Board is responsible for oversight of the Group's Risk Management and Internal Control Framework, risk appetite/ risk tolerance, capital management framework and risk management policies.

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 quarterly basis.

The IAD performs independent audits and assessments of the adequacy and reliability of the risk management processes and system. The audits 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 remain comprehensive, robust and have been implemented as intended. The Compliance & Legal Department ensures the Group is in compliance with applicable regulatory requirements at all times.

The individual departments are responsible for identifying, mitigating and managing risks within the lines of business and ensuring that the day-to-day business activities are carried out in accordance with established policies, procedures and limits.

The risk management policies are subject to annual review to ensure that they remain relevant and effective in managing the associated risks due to changes in the marketplace and regulatory environments.

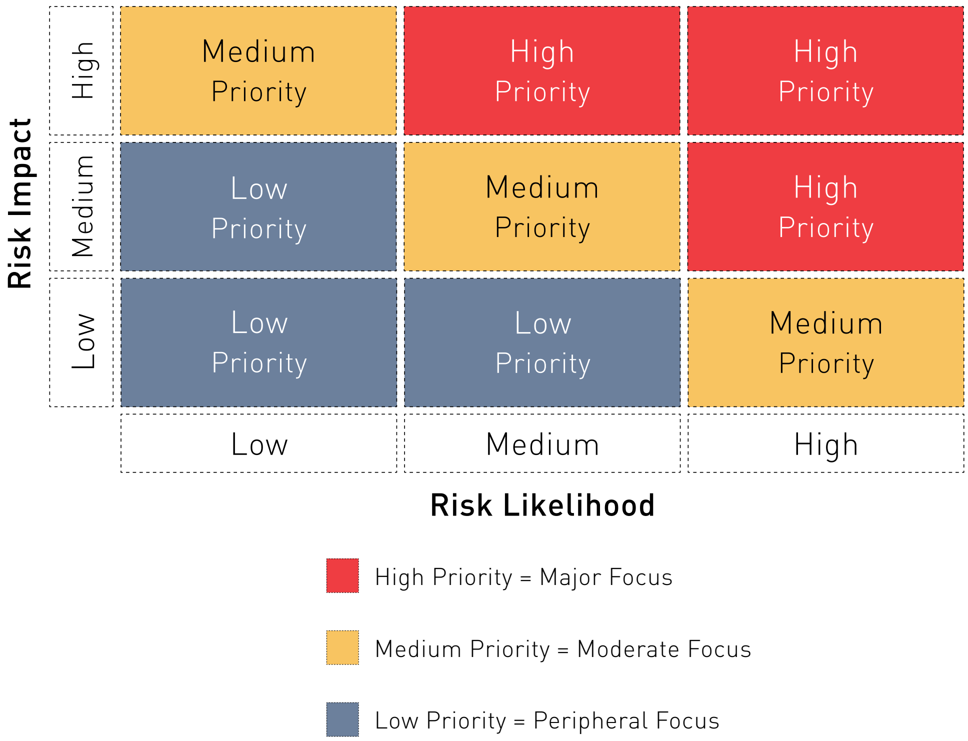
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Group Risk Management and Internal Control Framework

- 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 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 Risk Matrix is shown as below:



  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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management and Compliance Function	• 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. Annual review of claims trends and underwriting guidelines is 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. The Group has capped the proportion of investment in certain categories of assets to avoid unnecessarily high investment volatility. 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 fulfil our 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. • Risk Reports are compiled to define a set of risk appetite and risk tolerance approved by the Board and complied with the Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for Insurers issued by BNM. • Compliance function is in place to ensure all compliance issues are resolved effectively and expeditiously. Compliance & Legal Department follows up closely on compliance of regulatory requirements. It helps the Group to manage legal and compliance risk, maintain the good reputation of the Group as well as minimise any potential lawsuits.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 expectations on the corrective measures will be communicated to the respective heads of departments and branches. The annual Internal Audit Plan is reviewed and approved by the Audit Committee. • 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	• 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. • 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Risk Management and Internal Control

- Financial Condition Report and stress tests are conducted 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 together with the Financial Condition Report are deliberated at the RMCC meetings and thereafter recommended to the Board for approval, before submission to BNM.

- 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.

- Own Risk and Solvency Assessment ("ORSA") report is prepared on a yearly basis in accordance to the Monetary Authority of Singapore's guideline. The risk management and the future solvency position for the Singapore branch are deliberated at RMCC meetings and thereafter recommended to the Board for approval, before submission to the Monetary Authority of Singapore.

- 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.

- 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, are incorporated to maintain 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 such as system configuration controls, authority limits, underwriting rules and user access controls 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Risk Management and Internal Control

- 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 the writing off of impaired debts.

- 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 has been activated to ascertain that the Group does not suffer any 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 for both Malaysia 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 Lonpac and submits their assessment report to BNM as required under the Guidelines on Business Continuity Management (Revised) ("BCM").

- 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Risk Management and Internal Control	• 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. • The Capital Management Plan ("CMP") sets out thresholds that act as triggers for action. The corrective actions for each threshold are stated and take into account how adverse scenarios are likely to affect Lonpac's risk management activities. The intensity of corrective actions 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 provide an appropriate level of capital to protect the policyholders. The management of Lonpac'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.

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 2019, 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.

FINANCIAL STATEMENTS

ANALYSIS OF THE FINANCIAL STATEMENTS

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

	2019 RM'mil	2018 RM'mil	Increase/(Decrease) Amount RM'mil	%
Assets				
Plant and equipment	**7.0**	18.3	(11.3)	(61.7)
Right-of-use assets	**46.7**	-	46.7	100.0
Investment properties	**27.5**	27.4	0.1	0.4
Intangible assets	**10.5**	-	10.5	100.0
Investment in associated company	**33.1**	31.6	1.5	4.7
Fair value through other comprehensive income financial assets	**856.5**	1,090.9	(234.4)	(21.5)
Fair value through profit or loss financial assets	**326.1**	179.8	146.3	81.4
Amortised cost financial assets	**83.0**	97.9	(14.9)	(15.2)
Reinsurance assets	**731.8**	819.6	(87.8)	(10.7)
Loans and receivables (excluding insurance receivables)	**1,539.9**	1,351.0	188.9	14.0
Insurance receivables	**149.8**	160.0	(10.2)	(6.4)
Deferred acquisition costs	**43.9**	45.6	(1.7)	(3.7)
Current tax assets	**3.9**	-	3.9	100.0
Cash and cash equivalents	**186.2**	418.5	(232.3)	(55.5)
Total Assets	**4,045.9**	4,240.6	(194.7)	(4.6)
Total Equity	**1,971.9**	2,156.8	(184.9)	(8.6)
Liabilities				
Insurance contract liabilities	**1,807.2**	1,859.0	(51.8)	(2.8)
Deferred tax liabilities	**3.4**	4.9	(1.5)	(30.6)
Lease liabilities	**47.4**	-	47.4	100.0
Insurance payables	**93.3**	88.5	4.8	5.4
Other payables	**100.5**	107.1	(6.6)	(6.2)
Tax payables	**22.2**	24.3	(2.1)	(8.6)
Total Liabilities	**2,074.0**	2,083.8	(9.8)	(0.5)
Total Equity and Liabilities	**4,045.9**	4,240.6	(194.7)	(4.6)

ANALYSIS OF THE FINANCIAL STATEMENTS

TOTAL ASSETS

As at 31 December 2019, the total assets of the Group was RM4,045.9 million, decreased by 4.6% or RM194.7 million over the previous financial year mainly attributed to the decrease in fair value through other comprehensive income financial assets and cash and cash equivalents. The decrease in fair value through other comprehensive income financial assets of RM234.4 million was due to the decline in the market value and the decrease in cash and cash equivalents of RM232.3 million was mainly due to the disposal of liquid money market unit trusts funds and the shifting of fixed deposits placements with maturities of 3 months or less to more than 3 months in 2019.

PLANT AND EQUIPMENT

During the year 2019, the Group transferred its software development costs at net book value of RM10.3 million from plant and equipment to intangible assets. As such, the plant and equipment decreased by RM11.3 million to RM7.0 million from RM18.3 million in 2018 after accounted for the above transfer and depreciation charge.

RIGHT-OF-USE ASSETS

The Group adopted MFRS 16, *Leases* on 1 January 2019 as explained in the Note 40 to the financial statements. As a result of the adoption, the Group recognised right-of-use assets of RM22.9 million as at 1 January 2019. The right-of-use assets increased to RM46.7 million at end of 2019 due to the lease agreements entered into by the Group during the year.

INVESTMENT PROPERTIES

The investment properties of the Group increased by RM0.1 million to RM27.5 million from RM27.4 million registered in 2018. 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.

INTANGIBLE ASSETS

During the year 2019, the Group transferred its software developments cost at net book value of RM10.3 million from plant and equipment to intangible assets. At end of 2019, the intangible assets increased to RM10.5 million mainly due to software development costs incurred during the year.

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 4.7% or RM1.5 million to RM33.1 million from RM31.6 million in 2018 as a result of profit generated during the year offset by foreign exchange translation loss. The Group's share of the profit after tax from this associated company for the current financial year ended 31 December 2019 decreased by RM2.3 million to RM1.8 million from RM4.1 million in 2018.

ANALYSIS OF THE FINANCIAL STATEMENTS

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 decreased by 21.5% or RM234.4 million to RM856.5 million from RM1,090.9 million in 2018 due to the decline 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 81.4% or RM146.3 million to RM326.1 million from RM179.8 million in 2018 mainly due to the increase in the investment in unit trusts by RM199.5 million to RM235.5 million from RM36.0 million in 2018. Whilst the value of real estate investment trusts (REITs) increased by RM0.1 million to RM2.5 million from RM2.4 million in 2018. The value of exchange-traded fund (ETF) increased by RM0.1 million to RM0.7 million from RM0.6 million in 2018. The value of Equity securities was maintained at RM5.0 million as compared to 2018. The investment in corporate debt securities decreased by 39.4% or RM53.6 million to RM82.3 million from RM135.9 million mainly due to the maturity of corporate debt securities.

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 decreased by 15.2% or RM14.9 million to RM83.0 million from RM97.9 million in 2018 due to the maturity of corporate debt securities.

REINSURANCE ASSETS

As at 31 December 2019, the reinsurers share of provision for outstanding claims and provision for unearned premium (Reinsurance assets) decreased by 10.7% or RM87.8 million to RM731.8 million from RM819.6 million in 2018.

ANALYSIS OF THE FINANCIAL STATEMENTS

LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

The Group's loans and receivables as at 31 December 2019 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 increased by 14.0% or RM188.9 million to RM1,539.9 million from RM1,351.0 million in 2018 mainly due to the placement of fixed deposit with maturity more than 3 months which increased by 16.0% or RM197.3 million to RM1,428.2 million from RM1,230.9 million in 2018 mainly contributed by the cash flow generated from operations and the shifting from fixed deposits placements with maturities of 3 months or less. Other receivables decreased by 6.0% or RM5.3 million to RM83.7 million from RM89.0 million in 2018. The decline was mainly due to the decrease in amount due from Malaysian Motor Insurance Pool by 7.6% or RM4.0 million to RM48.9 million from RM52.9 million in 2018 and other receivables, deposit and prepayment by 43.5% or RM3.7 million to RM4.8 million from RM8.5 million in 2018. Staff loans decreased by 10.6% or RM3.3 million to RM27.9 million from RM31.2 million in 2018.

INSURANCE RECEIVABLES

The Group managed to reduce the insurance receivables by 6.4% or RM10.2 million to RM149.8 million from RM160.0 million in 2018 even though the gross written premiums continue to grow by 3.7% in 2019. The lower insurance receivables was a result of stringent credit control policy of the Group.

DEFERRED ACQUISITION COSTS

The Group's deferred acquisition costs consist mainly of commissions to agents and brokers decreased by 3.7% or RM1.7 million to RM43.9 million from RM45.6 million in 2018.

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. The Group's cash and cash equivalents decreased by 55.5% or RM232.3 million to RM186.2 million from RM418.5 million in 2018. The decrease was mainly due to the disposal of liquid money market unit trusts funds of RM154.4 million and the shifting of fixed deposits placements with maturities of 3 months or less to more than 3 months. The fixed deposits placements with maturities of 3 months or less decreased by 31.2% or RM74.7 million to RM164.5 million from RM239.2 million in 2018.

TOTAL LIABILITIES

The Group's total liabilities decreased by 0.5% or RM9.8 million to RM2,074.0 million from RM2,083.8 million in 2018. The decrease was primarily due to the lower insurance contract liabilities. Total insurance contract liabilities accounted for 87.1% or RM1,807.2 million of the Group's total liabilities, of which RM1,007.5 million related to the provision for outstanding claims and RM799.7 million to provision for unearned premium.

ANALYSIS OF THE FINANCIAL STATEMENTS

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 decreased by 2.8% or RM51.8 million to RM1,807.2 million from RM1,859.0 million in 2018. The decrease amount of RM51.8 million mainly contributed by the decrease in provision for outstanding claims of RM80.3 million offset by the increase in provision for unearned premium reserves of RM28.5 million.

LEASE LIABILITIES

The Group adopted MFRS 16, *Leases* on 1 January 2019 as explained in the Note 40 to the financial statements. As a result of the adoption, the Group recognised lease liabilities of RM22.9 million as at 1 January 2019. The amount of lease liabilities increased to RM47.4 million at end of 2019 due to new lease agreements entered into by the Group during the year.

INSURANCE PAYABLES

The Group's insurance payables increased by 5.4% or RM4.8 million to RM93.3 million from RM88.5 million in 2018. The increase was mainly due to higher outstanding net balance due to reinsurers.

OTHER PAYABLES

The Group's other payables decreased by 6.2% or RM6.6 million to RM100.5 million from RM107.1 million in 2018. 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 2019 decreased by 8.6% or RM184.9 million to RM1,971.9 million from RM2,156.8 million in 2018 after the payment of dividends amounting to RM274.9 million (consist of RM167.3 million second interim for financial year 2018 and RM107.6 million first interim for financial year 2019) during the year, with an encouraging return on equity of 16.3%. The Group recorded another year of strong net profit of RM322.4 million achieved for the year 2019. Accordingly, the Group's retained earnings still managed to rise by RM47.5 million to RM852.2 million from RM804.7 million despite of the payment of dividends of RM274.9 million as mentioned above. However, the Group's fair value reserve decreased by RM232.9 million to RM697.5 million from RM930.4 million in 2018 due to the decline in market value in FVOCI financial assets, caused the decrease in total shareholders' equity.

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

	2019 RM'mil	2018 RM'mil	Increase/(Decrease) Amount RM'mil	%
Operating revenue	**1,602.7**	1,513.7	89.0	5.9
Gross written premium	**1,524.4**	1,469.4	55.0	3.7
Change in unearned premium reserve	**(28.2)**	(55.5)	(27.3)	(49.2)
Gross earned premium	**1,496.2**	1,413.9	82.3	5.8
Gross written premium ceded to reinsurers	**(510.7)**	(464.8)	45.9	9.9
Change in unearned premium reserve	**26.0**	(18.3)	44.3	242.1
Premium ceded to reinsurers	**(484.7)**	(483.1)	1.6	0.3
Net earned premium	**1,011.5**	930.8	80.7	8.7
Investment income	**106.5**	99.8	6.7	6.7
Fair value gains	**1.7**	0.1	1.6	>100.0
Commission income	**102.2**	104.0	(1.8)	(1.7)
Net reversal of impairment loss on insurance receivables	**0.1**	-	0.1	100.0
Other operating income	**7.0**	6.8	0.2	2.9
Other income	**217.5**	210.7	6.8	3.2
Net claims incurred	**(444.5)**	(381.0)	63.5	16.7
Realised losses	**-**	(0.1)	(0.1)	(100.0)
Fair value losses	**(0.1)**	(1.8)	(1.7)	(94.4)
Commission expense	**(170.9)**	(162.8)	8.1	5.0
Management expenses	**(199.1)**	(192.6)	6.5	3.4
Net impairment loss on insurance receivables	**-**	(1.3)	(1.3)	(100.0)
Other expenses	**(370.1)**	(358.6)	11.5	3.2
Operating profit	**414.4**	401.9	12.5	3.1
Finance costs	**(1.5)**	-	1.5	100.0
Share of profit after tax of equity accounted associated company	**1.8**	4.1	(2.3)	(56.1)
Profit before tax	**414.7**	406.0	8.7	2.1
Tax expense	**(92.3)**	(92.0)	0.3	0.3
Net profit for the year	**322.4**	314.0	8.4	2.7

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 2019. The LPI Group's revenue grew by 5.9% or RM89.0 million to RM1,602.7 million compared to RM1,513.7 million in 2018. The Group's profit before taxation increased by RM8.7 million or 2.1% to RM414.7 million from RM406.0 million in 2018 mainly contributed by higher investment income. The Group's net profit increased by RM8.4 million or 2.7% to RM322.4 million as compared to RM314.0 million in 2018. The Group's earnings per share increased to 80.92 sen compared to 78.83 sen last year. Return on equity increased to 16.3% from 14.6% reported in 2018.

The Group's underwriting results improved by 0.5% or RM1.6 million to RM305.1 million in 2019 from RM303.5 million in 2018, mainly contributed by higher premium income. The claims incurred ratio increased to 43.9% from 40.9% in 2018 and the combined ratio also increased to 69.8% from 67.3% in 2018. (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 5.9% or RM89.0 million to RM1,602.7 million from RM1,513.7 million in 2018 mainly from higher gross earned premium which contributed 93.4% of the total operating revenue in 2019.

Operating Revenue	2019 RM'000	2018 RM'000	Variance RM'000	Variance %	Contribution 2019 %
Gross earned premium	**1,496,220**	1,413,894	82,326	5.8	**93.4**
Dividend income	**40,629**	32,926	7,703	23.4	**2.5**
Interest income	**65,008**	65,961	(953)	(1.4)	**4.0**
Rental of premises	**844**	882	(38)	(4.3)	**0.1**
Total	**1,602,701**	1,513,663	89,038	5.9	**100.0**

GROSS WRITTEN PREMIUMS AND GROSS EARNED PREMIUMS

The Group's gross written premiums grew 3.7% or RM55.0 million to RM1,524.4 million from RM1,469.4 million in 2018. Motor and Marine insurances were the largest contributors to the growth by growing RM23.3 million and RM19.3 million respectively. Fire and Miscellaneous insurances are the major contributors to the total gross written premiums which accounted for approximately 41.4% and 29.3% of the total gross written premium in 2019 respectively. The gross earned premiums rose 5.8% or RM82.3 million to RM1,496.2 million from RM1,413.9 million in 2018. This was the result of organic growth and the continued expansion of its agency force and the strong contribution from its global partnership.

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

GROSS WRITTEN PREMIUMS BY CLASS OF BUSINESS

Class	2019 RM'000	2018 RM'000	Variance RM'000	Variance %	Contribution 2019 %
Fire	**631,107**	622,759	8,348	1.3	**41.4**
Motor	**352,319**	328,988	23,331	7.1	**23.1**
Marine	**94,618**	75,335	19,283	25.6	**6.2**
Miscellaneous	**446,324**	442,295	4,029	0.9	**29.3**
Total	**1,524,368**	1,469,377	54,991	3.7	**100.0**

GROSS EARNED PREMIUMS BY CLASS OF BUSINESS

Class	2019 RM'000	2018 RM'000	Variance RM'000	Variance %	Contribution 2019 %
Fire	**628,529**	596,110	32,419	5.4	**42.0**
Motor	**340,657**	309,951	30,706	9.9	**22.8**
Marine	**87,173**	77,729	9,444	12.1	**5.8**
Miscellaneous	**439,861**	430,104	9,757	2.3	**29.4**
Total	**1,496,220**	1,413,894	82,326	5.8	**100.0**

NET EARNED PREMIUMS

The Group's net earned premiums increased in tandem with the higher gross earned premium by 8.7% or RM80.7 million to RM1,011.5 million when compared to RM930.8 million in 2018. The growth was mainly contributed by Motor and Fire classes of business.

NET EARNED PREMIUMS BY CLASS OF BUSINESS

Class	2019 RM'000	2018 RM'000	Variance RM'000	Variance %	Contribution 2019 %
Fire	**419,025**	392,598	26,427	6.7	**41.4**
Motor	**325,922**	287,251	38,671	13.5	**32.2**
Marine	**19,367**	18,952	415	2.2	**1.9**
Miscellaneous	**247,195**	232,033	15,162	6.5	**24.5**
Total	**1,011,509**	930,834	80,675	8.7	**100.0**

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

OTHER INCOME

The Group's other income, consists mainly of investment income, fair value gains, commission income, net reversal of impairment loss on insurance receivables and other operating income, increased by 3.2% or RM6.8 million to RM217.5 million from RM210.7 million in 2018. The increase was mainly contributed by higher investment income received.

INVESTMENT INCOME

Investment income increased by 6.7% or RM6.7 million to RM106.5 million from RM99.8 million in 2018 which comprised mainly dividend and interest. The Group's dividend income from investment in equities and unit trusts increased by 23.4% or RM7.7 million to RM40.6 million from RM32.9 million in 2018, whilst its interest income from investment in fixed income securities and fixed deposits decreased by 1.5% or RM1.0 million to RM65.0 million from RM66.0 million in 2018 mainly due to maturity of corporate debt securities.

FAIR VALUE GAINS AND LOSSES

During the year, the Group registered fair value gains of RM1.7 million from its investment, in which corporate debt securities of RM1.4 million, quoted equity securities of RM0.1 million, real estate investment trusts (REITs) of RM0.1 million and exchange-traded fund (ETF) of RM0.1 million. However, the Group registered a fair value loss of RM0.1 million on its investment in unit trust funds.

COMMISSION INCOME

The Group's commission income decreased by 1.7% or RM1.8 million to RM102.2 million from RM104.0 million in 2018. The decrease was mainly due to lower treaty profit commissions earned from reinsurers.

NET REVERSAL OF IMPAIRMENT LOSS ON INSURANCE RECEIVABLES

The Group reversed RM0.1 million out of the allowance of impairment loss on its insurance receivables in 2019, compared to an additional allowance of RM1.3 million was made in 2018.

OTHER OPERATING INCOME

Other operating income of the Group increased by 2.9% or RM0.2 million to RM7.0 million as compared to RM6.8 million in 2018 mainly due to higher investment income generated from Malaysian Motor Insurance Pool.

NET CLAIMS INCURRED

The Group's net claims incurred increased by 16.7% or RM63.5 million to RM444.5 million from RM381.0 million in 2018. 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 43.9%, though increased slightly from 40.9% in 2018.

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

NET CLAIMS INCURRED BY CLASS OF BUSINESS

Class	2019 RM'000	2018 RM'000	Variance RM'000	Variance %	Contribution 2019 %
Fire	**51,613**	52,326	(713)	(1.4)	**11.6**
Motor	**235,931**	210,745	25,186	12.0	**53.1**
Marine	**5,905**	2,919	2,986	102.3	**1.3**
Miscellaneous	**151,069**	114,978	36,091	31.4	**34.0**
Total	**444,518**	380,968	63,550	16.7	**100.0**

NET CLAIMS INCURRED RATIO BY CLASS OF BUSINESS

Class	2019 %	2018 %	Variance Percentage points
Fire	**12.3**	13.3	(1.0)
Motor	**72.4**	73.4	(1.0)
Marine	**30.5**	15.4	15.1
Miscellaneous	**61.1**	49.6	11.5
Total	**43.9**	40.9	3.0

COMMISSION EXPENSE

The Group's commission expense increased by 5.0% or RM8.1 million to RM170.9 million from RM162.8 million in 2018. The higher commissions and brokerage paid was in tandem with the higher gross earned premium.

MANAGEMENT EXPENSES

The management expenses of the Group increased by 3.4% or RM6.5 million to RM199.1 million from RM192.6 million in 2018. 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 RM134.3 million or 67.5% of the Group's total management expenses of RM199.1 million.

FINANCE COSTS

As a result of adoption of MFRS 16, *Leases*, the Group is required to account for finance costs of RM1.5 million in 2019 on the lease liabilities recognised.

TAXATION

The Group's tax expense increased by RM0.3 million to RM92.3 million from RM92.0 million in 2018. The Group's effective tax rate for the current financial year was 22.3% 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 2019 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 2019

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 2019.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding activities while the principal activity of the subsidiary are as stated in Note 7 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 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	322,361	256,154

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 2018 as reported in the Directors' Report of that year:

- a second interim single tier dividend of 42.00 sen per ordinary share totalling RM167,320,756 declared on 29 January 2019 and paid on 27 February 2019.

ii) In respect of the financial year ended 31 December 2019:

- a first interim single tier dividend of 27.00 sen per ordinary share totalling RM107,563,343 declared on 15 July 2019 and paid on 8 August 2019.

Subsequent to the financial year end, on 3 February 2020, the Directors declared a second interim single tier dividend of 43.00 sen per ordinary share on the issued and paid-up share capital as at the entitlement date on 18 February 2020 in respect of the financial year ended 31 December 2019. The dividend will be payable on 26 February 2020. The Directors do not propose any final dividend for the financial year ended 31 December 2019.

DIRECTORS' REPORT
for the year ended 31 December 2019

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

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
Looi Kong Meng
Quah Poh Keat
Chan Kwai Hoe
Mohd Suffian Bin Haji Haron
Wong Ah Kow
Ng Chwe Hwa (appointed on 1 August 2019)
Woo Chew Hong (appointed on 1 August 2019)

DIRECTORS' REPORT

for the year ended 31 December 2019

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 1.1.2019	Transferred	Sold	At 31.12.2019
Interests in the Company:				
Tan Sri Dato' Sri Dr. Teh Hong Piow				
- own	5,621,760	-	-	5,621,760
- deemed interest	170,418,240	-	-	170,418,240
Tee Choon Yeow				
- own	1,152,000	-	-	1,152,000
Tan Kok Guan				
- own	-	356,400	-	356,400
- deemed interest	630,000	(356,400)	-	273,600
Lee Chin Guan				
- own	2,500,000	-	(63,000)	2,437,000

By virtue of his 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 2019 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

for the year ended 31 December 2019

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 29 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 has substantial financial interests in companies which traded with companies in the Group in the ordinary course of business as disclosed in Note 37 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

There were no changes in the issued and paid-up capital of the Company during the financial year.

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 bad debts have been written off and adequate impairment allowance made for doubtful 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 bad debts, or the amount of the provision for doubtful debts and insurance liabilities 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 2019 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 2019

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 28 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: 3 February 2020

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Plant and equipment	3	**7,033**	18,259	**198**	327
Right-of-use assets	4	**46,732**	-	**-**	-
Investment properties	5	**27,540**	27,360	**-**	-
Intangible assets	6	**10,514**	-	**34**	-
Investment in a subsidiary	7	**-**	-	**200,000**	200,000
Investment in an associated company	8	**33,064**	31,564	**10,833**	10,833
Other investments		**1,265,567**	1,368,652	**826,602**	1,062,949
- Fair value through other comprehensive income	9(a)	**856,505**	1,090,899	**826,602**	1,052,813
- Fair value through profit or loss	9(b)	**326,062**	179,831	**-**	10,136
- Amortised cost	9(c)	**83,000**	97,922	**-**	-
Reinsurance assets	10	**731,806**	819,596	**-**	-
Loans and receivables,excluding insurance receivables	11(a)	**1,539,910**	1,351,063	**136,443**	116,280
Insurance receivables	11(b)	**149,778**	159,997	**-**	-
Deferred acquisition costs	12	**43,877**	45,553	**-**	-
Current tax assets		**3,881**	-	**-**	-
Cash and cash equivalents	13	**186,188**	418,509	**3,526**	31,798
Total assets		**4,045,890**	4,240,553	**1,177,636**	1,422,187
Equity					
Share capital		**398,383**	398,383	**398,383**	398,383
Reserves		**1,573,516**	1,758,402	**777,513**	1,022,454
Total equity	14	**1,971,899**	2,156,785	**1,175,896**	1,420,837
Liabilities					
Insurance contract liabilities	15	**1,807,222**	1,858,994	**-**	-
Deferred tax liabilities	16	**3,375**	4,893	**-**	-
Lease liabilities	17	**47,375**	-	**-**	-
Insurance payables	18	**93,289**	88,498	**-**	-
Other payables	19	**100,491**	107,112	**1,511**	1,163
Current tax payables		**22,239**	24,271	**229**	187
Total liabilities		**2,073,991**	2,083,768	**1,740**	1,350
Total equity and liabilities		**4,045,890**	4,240,553	**1,177,636**	1,422,187

The notes on pages 138 to 248 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

for the year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue	20	**1,602,701**	1,513,663	**265,242**	244,689
Gross written premiums	21	**1,524,368**	1,469,377	**-**	-
Change in unearned premiums provision	21	**(28,148)**	(55,483)	**-**	-
Gross earned premiums	21	**1,496,220**	1,413,894	**-**	-
Gross written premiums ceded to reinsurers	21	**(510,718)**	(464,785)	**-**	-
Change in unearned premiums provision	21	**26,007**	(18,275)	**-**	-
Premiums ceded to reinsurers	21	**(484,711)**	(483,060)	**-**	-
Net earned premiums	21	**1,011,509**	930,834	**-**	-
Investment income	22	**106,481**	99,769	**265,242**	244,689
Realised gains	23	**6**	-	**-**	-
Fair value gains	24	**1,723**	105	**-**	-
Commission income	25	**102,154**	104,015	**-**	-
Net reversal of impairment loss on insurance receivables	35.4	**107**	-	**-**	-
Net reversal of impairment loss on investments carried at amortised cost	35.4	**18**	-	**-**	-
Other operating income	26	**6,974**	6,831	**-**	-
Other income		**217,463**	210,720	**265,242**	244,689
Gross claims paid	27	**(596,301)**	(520,254)	**-**	-
Claims ceded to reinsurers	27	**185,100**	161,008	**-**	-
Gross change in claims liabilities	27	**80,733**	(166,648)	**-**	-
Change in claims liabilities ceded to reinsurers	27	**(114,050)**	144,926	**-**	-
Net claims incurred	27	**(444,518)**	(380,968)	**-**	-

The notes on pages 138 to 248 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS (CONTINUED)

for the year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Realised losses	23	-	(70)	-	-
Fair value losses	24	**(125)**	(1,820)	**(136)**	(254)
Commission expense	25	**(170,857)**	(162,840)	-	-
Management expenses	28	**(199,083)**	(192,608)	**(7,671)**	(6,546)
Net impairment loss on insurance receivables	35.4	-	(1,285)	-	-
Net impairment loss on investments carried at amortised cost	35.4	-	(9)	-	-
Other expenses		**(370,065)**	(358,632)	**(7,807)**	(6,800)
Operating profit		**414,389**	401,954	**257,435**	237,889
Finance cost		**(1,446)**	(4)	-	-
Share of profit after tax of equity accounted associated company		**1,776**	4,015	-	-
Profit before tax		**414,719**	405,965	**257,435**	237,889
Tax expense	30	**(92,358)**	(91,916)	**(1,281)**	(1,539)
Profit for the year		**322,361**	314,049	**256,154**	236,350
Profit attributable to:					
Owners of the Company		**322,361**	314,049	**256,154**	236,350
Earnings per ordinary share (sen)					
Basic	31	**80.92**	78.83		

The notes on pages 138 to 248 are an integral part of these financial statements

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year		**322,361**	314,049	**256,154**	236,350
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation		**569**	1,006	**-**	-
Items that will not be reclassified to profit or loss					
Net (losses)/gains on investments in equity instruments designated at fair value through other comprehensive income		**(234,419)**	175,343	**(226,211)**	169,233
Income tax relating to these items	30	**1,487**	(3,715)	**-**	-
Total other comprehensive (loss)/income for the year, net of tax		**(232,363)**	172,634	**(226,211)**	169,233
Total comprehensive income for the year attributable to owners of the Company		**89,998**	486,683	**29,943**	405,583

The notes on pages 138 to 248 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

Group	Note	← Non-distributable Share capital RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000 →	Distributable Retained earnings RM'000	Total RM'000
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	32	-	-	-	(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 14.1	Note 14.2	Note 14.3		

The notes on pages 138 to 248 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2019

		Non-distributable			Distributable	
Group	Note	Share capital RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019		398,383	23,283	930,382	804,737	2,156,785
Foreign currency translation differences for foreign operation		-	569	-	-	569
Net losses on investments in equity instruments designated at fair value through other comprehensive income		-	-	(232,932)	-	(232,932)
Total other comprehensive income/(loss) for the year		-	569	(232,932)	-	(232,363)
Profit for the year		-	-	-	322,361	322,361
Total comprehensive income/(loss) for the year		-	569	(232,932)	322,361	89,998
Distributions to owners of the Company						
Dividends to owners of the Company	32	-	-	-	(274,884)	(274,884)
Total transaction with owners of the Company		-	-	-	(274,884)	(274,884)
At 31 December 2019		398,383	23,852	697,450	852,214	1,971,899
		Note 14.1	Note 14.2	Note 14.3		

The notes on pages 138 to 248 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

		← Non-distributable	→	Distributable	
Company	Note	Share capital RM'000	Fair value reserve RM'000	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		60,139	-	(60,139)	-
- Expenses for issuance of equity securities		-	-	(157)	(157)
Dividends to owners of the Company	32	-	-	(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 14.1	Note 14.3		
At 1 January 2019		**398,383**	**801,753**	**220,701**	**1,420,837**
Net losses on investments in equity instruments designated at fair value through other comprehensive income		**-**	**(226,211)**	**-**	**(226,211)**
Total other comprehensive loss for the year		**-**	**(226,211)**	**-**	**(226,211)**
Profit for the year		**-**	**-**	**256,154**	**256,154**
Total comprehensive (loss)/income for the year		**-**	**(226,211)**	**256,154**	**29,943**
Contributions from/(Distributions to) owners of the Company					
Dividends to owners of the Company	32	**-**	**-**	**(274,884)**	**(274,884)**
Total transaction with owners of the Company		**-**	**-**	**(274,884)**	**(274,884)**
At 31 December 2019		**398,383**	**575,542**	**201,971**	**1,175,896**
		Note 14.1	Note 14.3		

The notes on pages 138 to 248 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating activities				
Profit before tax	**414,719**	405,965	**257,435**	237,889
Investment income	**(106,481)**	(99,769)	**(265,242)**	(244,689)
Net realised (gains)/losses recorded in profit or loss	**(6)**	70	**-**	-
Net fair value (gains)/losses recorded in profit or loss	**(1,608)**	1,741	**136**	254
Share of profit of equity accounted associated company	**(1,776)**	(4,015)	**-**	-
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	**(204,609)**	(47,886)	**-**	-
Purchase of financial assets carried at amortised cost	**-**	(22,911)	**-**	-
Maturity of financial assets carried at amortised cost	**15,000**	6,081	**-**	-
Maturity of financial assets carried at fair value through profit or loss	**60,000**	20,000	**10,000**	-
Interest on lease liabilities	**1,446**	-	**-**	-
Interest on finance lease liabilities	**-**	4	**-**	-
Non-cash items:				
Depreciation of plant and equipment	**2,912**	3,285	**122**	121
Depreciation of right-of-use assets	**6,976**	-	**-**	-
Amortisation of intangible assets	**2,074**	-	**3**	-
Write off of plant and equipment	**5**	3	**-**	-
Unrealised foreign exchange gain	**(215)**	(689)	**-**	-
(Net reversal of)/Net impairment loss on insurance receivables	**(107)**	1,285	**-**	-
(Net reversal of)/Net impairment loss on investments carried at amortised cost	**(18)**	9	**-**	-

STATEMENTS OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating activities (continued)				
Changes in working capital:				
(Increase)/Decrease in loans and receivables	**(188,754)**	68,452	**(20,163)**	(14,369)
Decrease/(Increase) in reinsurance assets	**88,043**	(126,651)	**-**	-
Decrease/(Increase) in insurance receivables	**10,386**	(5,752)	**-**	-
Decrease/(Increase) in deferred acquisition costs	**1,689**	(11,900)	**-**	-
(Decrease)/Increase in insurance contract liabilities	**(52,585)**	222,131	**-**	-
Increase/(Decrease) in insurance payables	**4,782**	(33,403)	**-**	-
(Decrease)/Increase in other payables	**(6,743)**	(3,810)	**348**	(35)
Cash generated from/(used in) operating activities	**45,130**	372,303	**(17,361)**	(20,829)
Dividend income received	**40,629**	32,926	**259,764**	238,063
Interest income received	**65,107**	66,055	**5,478**	6,626
Rental income on investment property received	**844**	882	**-**	-
Interest paid	**(1,446)**	-	**-**	-
Income tax paid	**(98,172)**	(90,704)	**(1,239)**	(1,995)
Net cash flows generated from operating activities	**52,092**	381,462	**246,642**	221,865
Investing activities				
Proceeds from disposal of plant and equipment	**6**	-	**-**	-
Purchase of plant and equipment	**(1,954)**	(4,399)	**(6)**	(13)
Purchase of intangible assets	**(2,308)**	-	**(24)**	-
Net cash flows used in investing activities	**(4,256)**	(4,399)	**(30)**	(13)
Financing activities				
Expenses for issuance of equity securities	**-**	(157)	**-**	(157)
Dividends paid to owners of the Company	**(274,884)**	(252,973)	**(274,884)**	(252,973)
Payment of lease liabilities	**(6,333)**	-	**-**	-
Repayment of finance lease liabilities	**-**	(906)	**-**	-
Net cash flows used in financing activities	**(281,217)**	(254,036)	**(274,884)**	(253,130)
Net (decrease)/increase in cash and cash equivalents	**(233,381)**	123,027	**(28,272)**	(31,278)
Cash and cash equivalents at 1 January	**418,509**	294,459	**31,798**	63,076
Effect of movement in exchange rates	**1,060**	1,023	**-**	-
Cash and cash equivalents at 31 December (Note 13)	**186,188**	418,509	**3,526**	31,798

The notes on pages 138 to 248 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 2019 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 2019 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 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 3 February 2020.

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 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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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 2020 for those 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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(e) and Note 5	-	Valuation of investment properties
Note 2(g)(i) and Note 35.4(iv)	-	Measurement of expected credit loss ("ECL") allowance for financial assets
Note 2(n), (o) and Note 34	-	Valuation of claims and premium liabilities
Note 2(t) and Note 4	-	Extension options and incremental borrowing rate in relation to leases

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.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 40.

(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. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 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") (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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and equipment (continued)

(iii) Depreciation (continued)

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 methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(d) Intangible assets

(i) Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring in use the specific software.

Expenditure incurred on software development is capitalised only if the future economic benefits are probable and the expenditure are directly associated with the production of identifiable and unique software systems controlled by the Group. Direct costs include the software development costs and appropriate portion of relevant overheads to prepare the assets for its intended use.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets with finite useful lives are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Capital work-in-progress are not depreciated until the assets are ready for its intended use.

The estimated useful lives for the current and comparative periods are as follows:

• software	4 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

(f) 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

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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.

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(g)(i)).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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;

- 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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(g)(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(g)(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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment

(i) Financial assets

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (continued)

(i) Financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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(f)(iii), have been met.

(j) 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

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.

(m) 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(n).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

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) 1/365th method for all other classes of direct and facultative inwards business.
(iii) 1/24th 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

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(o) 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.

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.

(o) 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 ("IBNR") at the end of the reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Valuation of general insurance contract liabilities (continued)

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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the Group has chosen to measure the right-of-use asset equals to the lease liability at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either the Group has the right to operate the asset; or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and some leases of low-value assets (e.g. printing and photostat machines). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'investment income'.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

Previous financial year

As a lessee

(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.

(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.

(u) 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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.

(x) 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.

(y) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) 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	Note	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 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)
Reclassification		-	-	682	99	-	(781)	-
Effect of movement in exchange rates		-	1	5	6	3	-	15
At 31 December 2018/ 1 January 2019		**1,792**	**6,929**	**9,255**	**36,007**	**3,101**	**9,419**	**66,503**
Additions		**255**	**205**	**190**	**917**	**25**	**362**	**1,954**
Disposals		**(2)**	**(126)**	**-**	**-**	**(16)**	**-**	**(144)**
Written off		**(99)**	**(12)**	**-**	**(212)**	**-**	**-**	**(323)**
Reclassification		**-**	**-**	**147**	**20**	**-**	**(167)**	**-**
Transfer to intangible assets	6	**-**	**-**	**-**	**(1,993)**	**-**	**(9,252)**	**(11,245)**
Effect of movement in exchange rates		**1**	**2**	**12**	**11**	**5**	**-**	**31**
At 31 December 2019		**1,947**	**6,998**	**9,604**	**34,750**	**3,115**	**362**	**56,776**

NOTES TO THE FINANCIAL STATEMENTS

3. PLANT AND EQUIPMENT (CONTINUED)

Group	Note	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 2018		1,311	6,292	6,942	29,903	632	-	45,080
Depreciation for the year	28	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 January 2019		**1,348**	**6,451**	**7,461**	**31,741**	**1,243**	**-**	**48,244**
Depreciation for the year	28	**206**	**206**	**577**	**1,311**	**612**	**-**	**2,912**
Disposals		**(2)**	**(126)**	**-**	**-**	**(16)**	**-**	**(144)**
Written off		**(94)**	**(12)**	**-**	**(212)**	**-**	**-**	**(318)**
Transfer to intangible assets	6	**-**	**-**	**-**	**(965)**	**-**	**-**	**(965)**
Effect of movement in exchange rates		**-**	**2**	**5**	**5**	**2**	**-**	**14**
At 31 December 2019		**1,458**	**6,521**	**8,043**	**31,880**	**1,841**	**-**	**49,743**
Carrying amounts								
At 1 January 2018		204	241	1,607	4,720	2,436	7,930	17,138
At 31 December 2018/ 1 January 2019		**444**	**478**	**1,794**	**4,266**	**1,858**	**9,419**	**18,259**
At 31 December 2019		**489**	**477**	**1,561**	**2,870**	**1,274**	**362**	**7,033**

3. PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Computers RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 January 2018		-	608	-	608
Additions		-	-	13	13
At 31 December 2018/1 January 2019		**-**	**608**	**13**	**621**
Additions		**6**	**-**	**-**	**6**
Transfer to intangible assets	6	**-**	**-**	**(13)**	**(13)**
At 31 December 2019		**6**	**608**	**-**	**614**
Accumulated depreciation					
At 1 January 2018		-	173	-	173
Depreciation for the year	28	-	121	-	121
At 31 December 2018/1 January 2019		**-**	**294**	**-**	**294**
Depreciation for the year	28	**-**	**122**	**-**	**122**
At 31 December 2019		**-**	**416**	**-**	**416**
Carrying amounts					
At 1 January 2018		**-**	**435**	**-**	**435**
At 31 December 2018/1 January 2019		**-**	**314**	**13**	**327**
At 31 December 2019		**6**	**192**	**-**	**198**

Included in plant and equipment of the Group are the following fully depreciated assets which are still in use:

Group	2019 RM'000	2018 RM'000
At cost:		
Office equipment	**1,108**	1,155
Furniture and fittings	**6,183**	6,149
Renovation	**6,459**	6,406
Computers	**29,431**	28,815
Motor vehicles	**16**	16

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS

The Group leases many assets including office buildings, printing and photostat machines.

Group	Note	Office buildings RM'000	Printing and photostat machines RM'000	Total RM'000
At 1 January 2019		21,492	1,371	22,863
Additions	17.1	30,547	212	30,759
Depreciation charge for the year	28	(6,298)	(678)	(6,976)
Effect of movement in exchange rates		85	1	86
At 31 December 2019		45,826	906	46,732

Extension options

Some leases of office buildings contain extension options exercisable by the Group. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

As of 31 December 2019, the Group has included all potential future cash flows of exercising the extension options in the lease liability.

Judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTIES

Group	2019 RM'000	2018 RM'000
At 1 January	**27,360**	27,270
Effect of movement in exchange rates	**180**	90
At 31 December	**27,540**	27,360

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 Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following are recognised in profit or loss in respect of investment properties:

Group	Note	2019 RM'000	2018 RM'000
Lease income	20, 22	**844**	882
Direct operating expenses		**(102)**	(107)

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group 2019 RM'000
Less than one year	**612**
One to two years	**16**
Total	**628**

	2018 RM'000
Less than one year	492
Between one and five years	359
Total	851

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTIES (CONTINUED)

Fair value information

Fair value of investment properties are categorised as follows:

	2019 RM'000	2018 RM'000
Level 2 fair value		
Buildings	**27,540**	27,360

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.

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 (2018: no transfer).

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS

	Note	Software RM'000	Capital work-in-progress RM'000	Total RM'000
Group				
Cost				
At 1 January 2019		-	-	-
Additions		2,254	54	2,308
Transfer from plant and equipment	3	1,993	9,252	11,245
Reclassification		7,648	(7,648)	-
At 31 December 2019		11,895	1,658	13,553
Amortisation				
At 1 January 2019		-	-	-
Amortisation for the year	28	2,074	-	2,074
Transfer from plant and equipment	3	965	-	965
At 31 December 2019		3,039	-	3,039
Carrying amounts				
At 1 January 2019		-	-	-
At 31 December 2019		8,856	1,658	10,514
Company				
Cost				
At 1 January 2019		-	-	-
Additions		-	24	24
Transfer from plant and equipment	3	-	13	13
Reclassification		37	(37)	-
At 31 December 2019		37	-	37
Amortisation				
At 1 January 2019		-	-	-
Amortisation for the year	28	3	-	3
At 31 December 2019		3	-	3
Carrying amounts				
At 1 January 2019		-	-	-
At 31 December 2019		34	-	34

The software development costs are mainly in relation to internal development expenditure incurred for the Business Process Management System. This system is designed to improve the efficiency of the business activities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS (CONTINUED)

6.1 Amortisation

The Group recognises the amortisation of software development costs on a straight-line basis over the estimated useful lives as part of 'management expenses'.

7. INVESTMENT IN A SUBSIDIARY

	2019 RM'000	2018 RM'000
At cost		
Unquoted shares	**200,000**	200,000

Details of the subsidiary, which is incorporated in Malaysia, are as follows:

Name of subsidiary	Principal activity	Effective ownership interest and voting interest 2019 %	2018 %
Lonpac Insurance Bhd	Underwriting of general insurance	**100**	100

8. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost				
Unquoted shares	**10,833**	10,833	**10,833**	10,833
Share of post-acquisition reserves*	**18,753**	16,977	**-**	-
Effect of movement in exchange rates	**3,478**	3,754	**-**	-
	33,064	31,564	**10,833**	10,833

* Share of post-acquisition reserves of the investment in associated company is accounted for using management accounts.

NOTES TO THE FINANCIAL STATEMENTS

8. 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:

	2019 RM'000	2018 RM'000
Group's share of results for the year ended 31 December		
Group's share of profit or loss from continuing operations	**1,776**	4,015
Effect of movement in exchange rates	**(276)**	672
	1,500	4,687

9. OTHER INVESTMENTS

(a) Fair value through other comprehensive income ("FVOCI")

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Investment in securities designated at FVOCI				
Equity securities in corporation				
Quoted in Malaysia	**856,505**	1,090,899	**826,602**	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.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INVESTMENTS (CONTINUED)

(b) Fair value through profit or loss ("FVTPL")

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Investment mandatorily measured at FVTPL				
Unit trust				
Quoted in Malaysia	**235,519**	36,009	**-**	-
Real estate investment trusts ("REITs")				
Quoted in Malaysia	**2,466**	2,365	**-**	-
Exchange-traded fund ("ETF")				
Quoted outside Malaysia	**714**	590	**-**	-
Equity securities in corporations				
Quoted outside Malaysia	**3,734**	3,635	**-**	-
Unquoted in Malaysia	**1,312**	1,328	**-**	-
	5,046	4,963	**-**	-
Corporate bonds and sukuk				
Unquoted in Malaysia	**72,853**	126,695	**-**	10,136
Unquoted outside Malaysia	**9,464**	9,209	**-**	-
	82,317	135,904	**-**	10,136
Total FVTPL	**326,062**	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 RM26,501,000 (2018: RM45,512,000) and Nil (2018: RM10,136,000) respectively.

9. OTHER INVESTMENTS (CONTINUED)

(c) Amortised cost ("AC")

Group	Note	2019 Carrying value RM'000	2019 Fair value RM'000	2018 Carrying value RM'000	2018 Fair value RM'000
At amortised cost					
Malaysian government guaranteed loans		**40,010**	**40,904**	40,033	40,420
Corporate bonds and sukuk					
Unquoted in Malaysia		**30,002**	**30,378**	45,002	45,098
Unquoted outside Malaysia		**12,992**	**13,262**	12,909	12,903
		42,994	**43,640**	57,911	58,001
Allowance for impairment	35.4	**(4)**	**-**	(22)	-
		42,990	**43,640**	57,889	58,001
Total AC		**83,000**	**84,544**	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 (2018: RM10,000,000).

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INVESTMENTS (CONTINUED)

(d) Estimation of fair values (continued)

The following debt securities mature after 12 months:

	Group	
	2019 RM'000	2018 RM'000
Fair value through profit or loss	**64,124**	75,023
Amortised cost	**47,990**	82,925

(e) Carrying values of other investments

Group	FVOCI RM'000	FVTPL RM'000	AC RM'000	Total RM'000
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
Net impairment loss	-	-	(9)	(9)
Effect of movement in exchange rates	12	27	20	59
At 31 December 2018/1 January 2019	**1,090,899**	**179,831**	**97,922**	**1,368,652**
Addition/Dividend	**-**	**204,609**	**-**	**204,609**
Maturity	**-**	**(60,000)**	**(15,000)**	**(75,000)**
Fair value gain/(loss) recorded in:				
Profit or loss	**-**	**1,608**	**-**	**1,608**
Other comprehensive income	**(234,419)**	**-**	**-**	**(234,419)**
Amortisation	**-**	**(79)**	**(25)**	**(104)**
Accretion	**-**	**5**	**-**	**5**
Net reversal of impairment loss	**-**	**-**	**18**	**18**
Effect of movement in exchange rates	**25**	**88**	**85**	**198**
At 31 December 2019	**856,505**	**326,062**	**83,000**	**1,265,567**

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INVESTMENTS (CONTINUED)

(e) Carrying values of other investments (continued)

Company	FVOCI RM'000	FVTPL RM'000	Total RM'000
At 1 January 2018	883,580	10,390	893,970
Fair value gain/(loss) recorded in:			
Profit or loss	-	(254)	(254)
Other comprehensive income	169,233	-	169,233
At 31 December 2018/1 January 2019	**1,052,813**	**10,136**	**1,062,949**
Maturity	**-**	**(10,000)**	**(10,000)**
Fair value loss recorded in:			
Profit or loss	**-**	**(136)**	**(136)**
Other comprehensive income	**(226,211)**	**-**	**(226,211)**
At 31 December 2019	**826,602**	**-**	**826,602**

10. REINSURANCE ASSETS

	Note	Group 2019 RM'000	Group 2018 RM'000
Reinsurance of insurance contracts			
Claims liabilities	15	**493,388**	607,290
Premium liabilities	15	**238,418**	212,306
		731,806	819,596

NOTES TO THE FINANCIAL STATEMENTS

11(a). LOANS AND RECEIVABLES, EXCLUDING INSURANCE RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Staff loans				
Receivable within twelve months	**2,593**	3,617	**-**	-
Receivable after twelve months	**25,350**	27,544	**-**	-
	27,943	31,161	**-**	-
Fixed and call deposits with licensed financial institutions with maturity more than three months				
Licensed banks in Malaysia	**1,301,054**	1,150,411	**134,600**	114,000
Banks outside Malaysia	**127,173**	80,516	**-**	-
	1,428,227	1,230,927	**134,600**	114,000
Other receivables				
Due from Malaysian Motor Insurance Pool	**48,889**	52,898	**-**	-
Other receivables, deposits and prepayments	**4,818**	8,487	**85**	5
Income due and accrued	**30,033**	27,590	**1,758**	2,275
	83,740	88,975	**1,843**	2,280
Total loans and receivables	**1,539,910**	1,351,063	**136,443**	116,280

Included in the fixed and call deposits of the Group are RM63,830,000 (2018: RM69,720,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 19).

The following loans and receivables mature after 12 months:

	Group	
	2019 RM'000	2018 RM'000
Staff loans	**25,350**	27,544
Fixed and call deposits	**-**	1,445
	25,350	28,989

Estimation of fair values

The fair values of the staff loans are 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

11(b). INSURANCE RECEIVABLES

	Note	Group 2019 RM'000	Group 2018 RM'000
Due premiums including agents, brokers and co-insurers balances		**135,115**	152,892
Due from reinsurers and cedants		**16,713**	9,262
		151,828	162,154
Allowance for impairment	35.4	**(2,050)**	(2,157)
		149,778	159,997

12. DEFERRED ACQUISITION COSTS

	Note	Group 2019 RM'000	Group 2018 RM'000
Gross of reinsurance			
At 1 January		**88,848**	80,048
Movement during the year	25	**(2,701)**	8,780
Effect of movement in exchange rates		**50**	20
At 31 December		**86,197**	88,848
Reinsurance			
At 1 January		**(43,295)**	(46,398)
Movement during the year	25	**1,013**	3,120
Effect of movement in exchange rates		**(38)**	(17)
At 31 December		**(42,320)**	(43,295)
Net of reinsurance			
At 1 January		**45,553**	33,650
Movement during the year		**(1,688)**	11,900
Effect of movement in exchange rates		**12**	3
At 31 December		**43,877**	45,553

NOTES TO THE FINANCIAL STATEMENTS

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amortised cost				
Cash and bank balances	**21,717**	24,964	**127**	109
Fixed and call deposits with licensed financial institutions with maturity of three months or less				
Licensed banks in Malaysia	**156,565**	194,930	**3,399**	31,689
Banks outside Malaysia	**7,906**	44,230	**-**	-
Fair value through profit or loss				
Mandatorily measured at FVTPL				
Liquid investments	**-**	154,385	**-**	-
	186,188	418,509	**3,526**	31,798

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 RM2,398,000 (2018: RM1,770,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 19).

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

14. CAPITAL AND RESERVES

14.1 Share capital

	Group and Company			
	2019		2018	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares, issued and fully paid				
At 1 January	**398,383**	**398,383**	331,986	331,986
Issued during the year pursuant to bonus issue	**-**	**-**	66,397	66,397
At 31 December	**398,383**	**398,383**	398,383	398,383
Share premium				
At 1 January	**-**	**-**	6,258	-
Utilisation in accordance with Section 618(3) of the Companies Act 2016	**-**	**-**	(6,258)	-
At 31 December	**-**	**-**	-	-
At 31 December	**398,383**	**398,383**	398,383	398,383

Ordinary shares

In the previous 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 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.

14.2 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.

14.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment in securities measured at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

15. INSURANCE CONTRACT LIABILITIES

Group	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
General insurance	**1,807,222**	**(731,806)**	**1,075,416**	1,858,994	(819,596)	1,039,398

The general insurance contract liabilities and their movements are further analysed as follows:

Group	Note	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
Provision for claims reported by policyholders		**814,265**	**(413,126)**	**401,139**	880,144	(517,511)	362,633
Provision for IBNR		**193,268**	**(80,262)**	**113,006**	207,614	(89,779)	117,835
Provision for outstanding claims	15.1	**1,007,533**	**(493,388)**	**514,145**	1,087,758	(607,290)	480,468
Provision for unearned premiums	15.3	**799,689**	**(238,418)**	**561,271**	771,236	(212,306)	558,930
		1,807,222	**(731,806)**	**1,075,416**	1,858,994	(819,596)	1,039,398
			Note 10			Note 10	

15.1 Provision for outstanding claims

Group	Note	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
At 1 January		**1,087,758**	**(607,290)**	**480,468**	920,786	(462,260)	458,526
Claims incurred for the current accident year (direct and facultative)		**639,411**	**(169,117)**	**470,294**	798,427	(364,877)	433,550
Adjustment to claims incurred in prior accident years (direct and facultative)		**(131,551)**	**103,261**	**(28,290)**	(127,485)	65,788	(61,697)
Claims incurred during the year (treaty inwards claims)		**2,400**	**-**	**2,400**	3,901	-	3,901
Movement in PRAD of claims liabilities at 75% confidence level		**5,693**	**(5,194)**	**499**	12,669	(6,845)	5,824
Movement in claims handling expenses		**(385)**	**-**	**(385)**	(610)	-	(610)
Claims paid during the year	27	**(596,301)**	**185,100**	**(411,201)**	(520,254)	161,008	(359,246)
Effect of movement in exchange rates		**508**	**(148)**	**360**	324	(104)	220
At 31 December	15.2, 27	**1,007,533**	**(493,388)**	**514,145**	1,087,758	(607,290)	480,468

NOTES TO THE FINANCIAL STATEMENTS

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

15.2 Provision for outstanding claims by business

		2019			2018		
Group	Note	Motor RM'000	Non-Motor RM'000	Total RM'000	Motor RM'000	Non-Motor RM'000	Total RM'000
Gross claims	34	**353,522**	**654,011**	**1,007,533**	339,947	747,811	1,087,758
Reinsurance		**(33,652)**	**(459,736)**	**(493,388)**	(39,131)	(568,159)	(607,290)
Net claims	34	**319,870**	**194,275**	**514,145**	300,816	179,652	480,468

15.3 Provision for unearned premiums

	2019			2018		
Group	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	**771,236**	**(212,306)**	**558,930**	715,636	(230,531)	485,105
Premiums written during the year	**1,524,368**	**(510,718)**	**1,013,650**	1,469,377	(464,785)	1,004,592
Premiums earned during the year	**(1,496,220)**	**484,711**	**(1,011,509)**	(1,413,894)	483,060	(930,834)
Effect of movement in exchange rates	**305**	**(105)**	**200**	117	(50)	67
At 31 December	**799,689**	**(238,418)**	**561,271**	771,236	(212,306)	558,930

NOTES TO THE FINANCIAL STATEMENTS

16. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Recognised deferred tax liabilities are attributable to the following:

	Group	
	2019 RM'000	2018 RM'000
Other investments at FVOCI	**2,666**	4,153
Other investments at FVTPL	**1,198**	1,061
Allowance for impairment	**(489)**	(321)
	3,375	4,893

Movement in temporary differences during the financial year

Group	Note	Available-for-sale financial assets RM'000	Other investments at FVOCI RM'000	Other investments at FVTPL RM'000	Allowance for impairment RM'000	Total RM'000
At 1 January 2018		1,001	-	-	-	1,001
Adjustment on initial application of MFRS 9		(1,001)	438	1,393	(211)	619
Recognised in profit or loss	30	-	-	(332)	(110)	(442)
Recognised in other comprehensive income	30	-	3,715	-	-	3,715
At 31 December 2018/ 1 January 2019		**-**	**4,153**	**1,061**	**(321)**	**4,893**
Recognised in profit or loss	30	**-**	**-**	**270**	**(168)**	**102**
Recognised in other comprehensive income	30	**-**	**(1,487)**	**-**	**-**	**(1,487)**
Effect of movement in exchange rates		**-**	**-**	**(133)**	**-**	**(133)**
At 31 December 2019		**-**	**2,666**	**1,198**	**(489)**	**3,375**

NOTES TO THE FINANCIAL STATEMENTS

17. LEASE LIABILITIES

Leases as lessee (MFRS 16)

	2019 RM'000
Lease liabilities are payables as follows:	
- Within next 12 months	5,801
- After next 12 months	41,574
	47,375

17.1 Reconciliation of movements in lease liabilities to cash flows arising from financing activities

Group	Note	2019 RM'000
At 1 January 2019		22,863
Net changes from financing cash flows		(6,333)
Acquisition of new lease	4	30,759
Effect of movement in exchange rates		86
At 31 December 2019		47,375

17.2 Amounts recognised in statement of cash flows

	Note	Group 2019 RM'000
Included in net cash from operating activities:		
Interest on lease liabilities		(1,446)
Payment relating to short-term leases	28	(102)
Payment relating to leases of low-value assets	28	(390)
Included in net cash from financing activities:		
Payment of lease liabilities		(6,333)
Total cash outflows for leases		(8,271)

NOTES TO THE FINANCIAL STATEMENTS

18. INSURANCE PAYABLES

	Group	
	2019 RM'000	2018 RM'000
Due to reinsurers and cedants	**87,282**	78,774
Due to agents, brokers, co-insurers and insured	**6,007**	9,724
	93,289	88,498

The carrying amounts disclosed above approximate their fair values at the end of the reporting period.

19. OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash collateral deposits received from policyholders	**70,857**	75,461	**-**	-
Deposit premiums	**213**	125	**-**	-
Other payables	**14,130**	13,766	**23**	-
Accrued expenses	**15,291**	17,760	**1,488**	1,163
	100,491	107,112	**1,511**	1,163

The carrying amounts disclosed above approximate their fair values at the end of the reporting period.

20. OPERATING REVENUE

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gross earned premiums	21	**1,496,220**	1,413,894	**-**	-
Dividend income		**40,629**	32,926	**259,764**	238,063
Interest income (net of amortisation of premiums and accretion of discounts)		**65,008**	65,961	**5,478**	6,626
Rental of premises	5, 22	**844**	882	**-**	-
		1,602,701	1,513,663	**265,242**	244,689

NOTES TO THE FINANCIAL STATEMENTS

21. UNDERWRITING RESULTS OF INSURANCE FUND

		Fire		Motor		Marine, aviation & transit		Miscellaneous		Total	
Group	**Note**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Gross written premiums		**631,107**	622,759	**352,319**	328,988	**94,618**	75,335	**446,324**	442,295	**1,524,368**	1,469,377
Change in unearned premiums provision		**(2,578)**	(26,649)	**(11,662)**	(19,037)	**(7,445)**	2,394	**(6,463)**	(12,191)	**(28,148)**	(55,483)
Gross earned premiums	20	**628,529**	596,110	**340,657**	309,951	**87,173**	77,729	**439,861**	430,104	**1,496,220**	1,413,894
Gross written premiums ceded to reinsurers		**(214,382)**	(206,262)	**(15,942)**	(14,947)	**(75,626)**	(55,812)	**(204,768)**	(187,764)	**(510,718)**	(464,785)
Change in unearned premiums provision		**4,878**	2,750	**1,207**	(7,753)	**7,820**	(2,965)	**12,102**	(10,307)	**26,007**	(18,275)
Premiums ceded to reinsurers		**(209,504)**	(203,512)	**(14,735)**	(22,700)	**(67,806)**	(58,777)	**(192,666)**	(198,071)	**(484,711)**	(483,060)
Net earned premiums		**419,025**	392,598	**325,922**	287,251	**19,367**	18,952	**247,195**	232,033	**1,011,509**	930,834

NOTES TO THE FINANCIAL STATEMENTS

21. UNDERWRITING RESULTS OF INSURANCE FUND (CONTINUED)

Group	Note	Fire 2019 RM'000	Fire 2018 RM'000	Motor 2019 RM'000	Motor 2018 RM'000	Marine, aviation & transit 2019 RM'000	Marine, aviation & transit 2018 RM'000	Miscellaneous 2019 RM'000	Miscellaneous 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Net claims incurred	27	**(51,613)**	(52,326)	**(235,931)**	(210,745)	**(5,905)**	(2,919)	**(151,069)**	(114,978)	**(444,518)**	(380,968)
Commission income	25	**44,713**	44,033	**1,639**	3,241	**7,080**	5,711	**48,722**	51,030	**102,154**	104,015
Commission expense	25	**(74,339)**	(70,593)	**(32,914)**	(29,570)	**(4,152)**	(4,523)	**(59,452)**	(58,154)	**(170,857)**	(162,840)
Net commission		**(29,626)**	(26,560)	**(31,275)**	(26,329)	**2,928**	1,188	**(10,730)**	(7,124)	**(68,703)**	(58,825)
Total out-go		**(81,239)**	(78,886)	**(267,206)**	(237,074)	**(2,977)**	(1,731)	**(161,799)**	(122,102)	**(513,221)**	(439,793)
Underwriting surplus before management expenses		**337,786**	313,712	**58,716**	50,177	**16,390**	17,221	**85,396**	109,931	**498,288**	491,041
Management expenses of the insurance fund										**(193,142)**	(187,538)
Underwriting surplus after management expenses										**305,146**	303,503
Net claims incurred ratio (%)		**12.3**	13.3	**72.4**	73.4	**30.5**	15.4	**61.1**	49.6	**43.9**	40.9

NOTES TO THE FINANCIAL STATEMENTS

22. INVESTMENT INCOME

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
FVOCI financial assets					
Dividend income					
- Equity securities quoted in Malaysia		**30,853**	29,089	**29,764**	28,063
FVTPL financial assets					
Dividend income					
- Equity securities quoted outside Malaysia		**148**	140	**-**	-
- Unquoted equity securities in Malaysia		**47**	59	**-**	-
- Unit trust		**5,391**	432	**-**	-
- Real estate investment trusts ("REITs")		**140**	105	**-**	-
- Exchange-traded fund ("ETF")		**30**	21	**-**	-
- Liquid investments		**4,020**	3,080	**-**	-
Interest/profit income					
- Corporate bonds and sukuk		**5,743**	8,303	**325**	750
Amortisation of premiums, net of accretion of discounts		**(74)**	(68)	**-**	-
Amortised cost					
Interest/profit income					
- Malaysian government guaranteed loans		**1,728**	1,729	**-**	-
- Corporate bonds and sukuk		**2,109**	2,091	**-**	-
- Fixed and call deposits		**55,527**	53,932	**5,153**	5,876
Amortisation of premiums, net of accretion of discounts		**(25)**	(26)	**-**	-
Dividend income from unquoted subsidiary		**-**	-	**230,000**	210,000
Rental of properties received from third parties	5, 20	**844**	882	**-**	-
Total investment income		**106,481**	99,769	**265,242**	244,689

NOTES TO THE FINANCIAL STATEMENTS

23. REALISED GAINS AND LOSSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Realised gains for:				
Gain on disposal of plant and equipment	6	-	-	-
	6	-	-	-
Realised losses for:				
Amortised cost				
Corporate bonds and sukuk				
- Unquoted outside Malaysia	-	(70)	-	-
	-	(70)	-	-

24. FAIR VALUE GAINS AND LOSSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fair value gains for:				
FVTPL financial assets				
Equity securities in corporations				
- Quoted outside Malaysia	75	-	-	-
- Unquoted in Malaysia	-	13	-	-
- Unquoted outside Malaysia	-	63	-	-
Real estate investment trusts ("REITs")				
- Quoted in Malaysia	101	3	-	-
Exchange-traded fund ("ETF")				
- Quoted outside Malaysia	120	-	-	-
Corporate bonds and sukuk				
- Unquoted in Malaysia	1,153	-	-	-
- Unquoted outside Malaysia	274	-	-	-
Liquid investments	-	26	-	-
	1,723	105	-	-

NOTES TO THE FINANCIAL STATEMENTS

24. FAIR VALUE GAINS AND LOSSES (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fair value losses for:				
FVTPL financial assets				
Equity securities in corporations				
- Quoted outside Malaysia	-	(371)	-	-
- Unquoted in Malaysia	(16)	-	-	-
Unit trust				
- Quoted in Malaysia	(99)	(144)	-	-
Exchange-traded fund ("ETF")				
- Quoted outside Malaysia	-	(43)	-	-
Corporate bonds and sukuk				
- Unquoted in Malaysia	-	(1,118)	(136)	(254)
- Unquoted outside Malaysia	-	(144)	-	-
Liquid investments	(10)	-	-	-
	(125)	(1,820)	(136)	(254)

25. COMMISSION INCOME/(EXPENSE)

		Group	
	Note	2019 RM'000	2018 RM'000
Commission income			
Commission income		101,141	100,895
Movement in deferred acquisition costs	12	1,013	3,120
Total commission income	21	102,154	104,015
Commission expense			
Commission expense		(168,156)	(171,620)
Movement in deferred acquisition costs	12	(2,701)	8,780
Total commission expense	21	(170,857)	(162,840)

NOTES TO THE FINANCIAL STATEMENTS

26. OTHER OPERATING INCOME

Group	2019 RM'000	2018 RM'000
Interest on staff car loans	**52**	85
Interest on staff housing loans	**711**	759
Interest on bank balance	**29**	23
Sundry income	**6,182**	5,964
	6,974	6,831

27. NET CLAIMS INCURRED

		Group	
	Note	2019 RM'000	2018 RM'000
Gross claims paid less salvage	15.1	**596,301**	520,254
Claims ceded to reinsurers	15.1	**(185,100)**	(161,008)
Net claims paid	15.1	**411,201**	359,246
Gross change in claims liabilities:			
At 31 December	15.1	**1,007,533**	1,087,758
At 1 January	15.1	**(1,087,758)**	(920,786)
Effect of movement in exchange rates		**(508)**	(324)
		(80,733)	166,648
Change in claims liabilities ceded to reinsurers:			
At 31 December	15.1	**(493,388)**	(607,290)
At 1 January	15.1	**607,290**	462,260
Effect of movement in exchange rates		**148**	104
		114,050	(144,926)
	21	**444,518**	380,968

NOTES TO THE FINANCIAL STATEMENTS

28. MANAGEMENT EXPENSES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Personnel expenses (including key management personnel)					
Company's Directors					
- Directors' fees	29	**1,815**	2,065	**1,085**	1,015
- Directors' remuneration	29	**3,609**	2,666	**3,229**	2,387
Subsidiaries' Directors					
- Directors' fees	29	**575**	350	**-**	-
- Directors' remuneration	29	**1,959**	1,586	**-**	-
Wages, salaries and others		**113,676**	106,769	**1,253**	1,186
Contributions to Employees' Provident Fund		**12,696**	11,900	**137**	130
		134,330	125,336	**5,704**	4,718
Auditors' remuneration					
Auditors of the Company					
- Statutory audit		**400**	402	**90**	90
- Other services		**106**	105	**5**	6
Affiliates of auditors of the Company					
- Statutory audit		**394**	392	**-**	-
- Other services		**66**	144	**8**	6
Bad debts written-off		**50**	-	**-**	-
Depreciation of plant and equipment	3	**2,912**	3,285	**122**	121
Depreciation of right-of-use assets	4	**6,976**	-	**-**	-
Amortisation of intangible assets	6	**2,074**	-	**3**	-
Rental expense on office premises		**-**	6,747	**-**	39
Expenses relating to short-term leases	17.2	**102**	-	**-**	-
Expenses relating to leases of low-value assets	17.2	**390**	-	**-**	-
Realised foreign exchange (gain)/loss		**(20)**	300	**-**	-
Unrealised foreign exchange gain		**(215)**	(689)	**-**	-
Write off of plant and equipment		**5**	3	**-**	-
Other expenses		**51,513**	56,583	**1,739**	1,566
Total management expenses		**199,083**	192,608	**7,671**	6,546

NOTES TO THE FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL COMPENSATION

The total remuneration (including benefits-in-kind) of the Directors and other key management personnel are as follows:

Group 2019	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	1,152	1,228	285	43	42	2,870
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	300	-	-	-	26	35	361
- Tee Choon Yeow	415	-	-	-	211	-	626
- Lee Chin Guan	320	-	-	-	210	-	530
- Quah Poh Keat	270	-	-	-	163	-	433
- Chan Kwai Hoe	270	-	-	-	210	-	480
- Soo Chow Lai	120	-	-	-	81	-	201
	1,695	-	-	-	901	35	2,631
Total Directors' remuneration (including benefits-in-kind)	1,815	1,152	1,228	285	944	77	5,501
Other key management personnel							
Executive Director and Chief Executive Officer of subsidiary							
- Looi Kong Meng	150	792	680	177	37	35	1,871
Non-Executive Directors of subsidiary							
- Encik Mohd Suffian Bin Haji Haron	150	-	-	-	95	-	245
- Wong Ah Kow	150	-	-	-	95	-	245
- Ng Chwe Hwa (appointed on 1 August 2019)	63	-	-	-	41	-	104
- Woo Chew Hong (appointed on 1 August 2019)	62	-	-	-	42	-	104
	425	-	-	-	273	-	698
Total other key management personnel remuneration (including benefits-in-kind)	575	792	680	177	310	35	2,569
Total Directors' and other key management personnel remuneration (including benefits-in-kind)	2,390	1,944	1,908	462	1,254	112	8,070

NOTES TO THE FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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 (appointed as director on 8 January 2018)	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

NOTES TO THE FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Company 2019	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director and Chief Executive Officer							
- Tan Kok Guan	120	1,152	1,228	285	43	42	2,870
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	300	-	-	-	26	-	326
- Tee Choon Yeow	185	-	-	-	116	-	301
- Lee Chin Guan	120	-	-	-	115	-	235
- Quah Poh Keat	120	-	-	-	68	-	188
- Chan Kwai Hoe	120	-	-	-	115	-	235
- Soo Chow Lai	120	-	-	-	81	-	201
	965	-	-	-	521	-	1,486
Total Directors' remuneration (including benefits-in-kind)	1,085	1,152	1,228	285	564	42	4,356

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

NOTES TO THE FINANCIAL STATEMENTS

30. TAX EXPENSE

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Recognised in profit or loss					
Current tax expense					
Malaysian					
- current year		**91,282**	91,559	**1,282**	1,556
- prior years		**(176)**	181	**(1)**	(17)
Overseas					
- current year		**1,229**	384	**-**	-
- prior years		**(79)**	234	**-**	-
Total current tax recognised in profit or loss		**92,256**	92,358	**1,281**	1,539
Deferred tax expense					
Malaysian					
- origination and reversal of temporary differences		**144**	(346)	**-**	-
Overseas					
- origination and reversal of temporary differences		**(42)**	(96)	**-**	-
Total deferred tax recognised in profit or loss	16	**102**	(442)	**-**	-
Share of tax of equity accounted associated company		**225**	216	**-**	-
Total income tax expense		**92,583**	92,132	**1,281**	1,539
Reconciliation of tax expense					
Profit for the year		**322,361**	314,049	**256,154**	236,350
Total taxation		**92,583**	92,132	**1,281**	1,539
Profit excluding tax		**414,944**	406,181	**257,435**	237,889
Income tax using Malaysian tax rate of 24% (2018: 24%)		**99,586**	97,483	**61,784**	57,093
Effect of lower tax rates for reinsurance inward		**(778)**	-	**-**	-
Effect of lower tax rates for offshore business and business outside Malaysia		**-**	(2,043)	**-**	-
Difference in effective tax rate of equity accounted associated company		**(255)**	(799)	**-**	-
Non-deductible expenses		**4,301**	3,281	**1,841**	1,598
Tax exempt income		**(10,842)**	(8,208)	**(62,343)**	(57,135)
Other items		**826**	2,003	**-**	-
		92,838	91,717	**1,282**	1,556
(Over)/Under provision in prior years		**(255)**	415	**(1)**	(17)
Tax expense		**92,583**	92,132	**1,281**	1,539

NOTES TO THE FINANCIAL STATEMENTS

30. TAX EXPENSE (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Recognised in OCI					
Items that will not be reclassified to profit or loss					
FVOCI financial assets					
- Deferred tax	16	**1,487**	(3,715)	**-**	-

31. 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 RM322,361,000 (2018: RM314,049,000) and the weighted average number of ordinary shares outstanding during the year of 398,382,753 (2018: 398,382,753).

32. DIVIDENDS

Dividends recognised in the current year by the Company as appropriation of profits are as follows:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2019			
Second interim 2018 ordinary	**42.00**	**167,321**	**27 February 2019**
First interim 2019 ordinary	**27.00**	**107,563**	**8 August 2019**
Total amount		**274,884**	
2018			
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	

NOTES TO THE FINANCIAL STATEMENTS

32. DIVIDENDS (CONTINUED)

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	43.00	171,305

The dividend will be payable on 26 February 2020 and will be recognised in subsequent financial period. The Directors do not propose any final dividend for the financial year ended 31 December 2019.

33. 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

NOTES TO THE FINANCIAL STATEMENTS

33. OPERATING SEGMENTS (CONTINUED)

Group	General insurance 2019 RM'000	General insurance 2018 RM'000	Investment holding 2019 RM'000	Investment holding 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Business segments						
External revenue	**1,567,459**	1,478,974	**35,242**	34,689	**1,602,701**	1,513,663
Inter-segment revenue	**-**	-	**230,000**	210,000	**230,000**	210,000
Total revenue	**1,567,459**	1,478,974	**265,242**	244,689	**1,832,701**	1,723,663
Segment profit before tax	**387,284**	378,076	**257,435**	237,889	**644,719**	615,965
Segment assets	**3,079,087**	3,029,199	**1,166,803**	1,411,354	**4,245,890**	4,440,553
Segment liabilities	**2,072,251**	2,082,418	**1,740**	1,350	**2,073,991**	2,083,768

	Malaysia 2019 RM'000	Malaysia 2018 RM'000	Outside Malaysia 2019 RM'000	Outside Malaysia 2018 RM'000	Eliminations 2019 RM'000	Eliminations 2018 RM'000	Consolidated 2019 RM'000	Consolidated 2018 RM'000
Geographical segments by location of customers/assets								
Revenue from external customers	**1,512,410**	1,442,254	**90,291**	71,409	**-**	-	**1,602,701**	1,513,663
Segment assets	**3,819,388**	4,027,007	**330,469**	311,388	**(103,967)**	(97,842)	**4,045,890**	4,240,553

Reconciliation of reportable segment revenue, profit and assets.

Group	2019 RM'000	2018 RM'000
Revenue		
Total revenue for reportable segments	**1,832,701**	1,723,663
Elimination of inter-segment revenue	**(230,000)**	(210,000)
Consolidated revenue	**1,602,701**	1,513,663
Profit		
Total profit for reportable segments	**644,719**	615,965
Elimination of inter-segment profit	**(230,000)**	(210,000)
Consolidated profit before tax	**414,719**	405,965
Assets		
Total assets for reportable segments	**4,245,890**	4,440,553
Elimination of inter-segment assets	**(200,000)**	(200,000)
Consolidated assets	**4,045,890**	4,240,553

34. 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 pricing 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.

NOTES TO THE FINANCIAL STATEMENTS

34. 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.

	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
Motor	352,319	(15,942)	336,377	328,988	(14,947)	314,041
Fire	631,107	(214,382)	416,725	622,759	(206,262)	416,497
Marine, aviation and transit	94,618	(75,626)	18,992	75,335	(55,812)	19,523
Miscellaneous	446,324	(204,768)	241,556	442,295	(187,764)	254,531
	1,524,368	(510,718)	1,013,650	1,469,377	(464,785)	1,004,592

The table below sets out the concentration of the Group's insurance contract liabilities by type of product.

	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
Motor	535,771	(36,993)	498,778	510,444	(41,281)	469,163
Fire	506,494	(231,277)	275,217	618,006	(334,734)	283,272
Marine, aviation and transit	109,784	(94,975)	14,809	96,574	(82,727)	13,847
Miscellaneous	655,173	(368,561)	286,612	633,970	(360,854)	273,116
	1,807,222	(731,806)	1,075,416	1,858,994	(819,596)	1,039,398

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.

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

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.

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
2019					
Average claims cost	**+10%**	**104,986**	**51,503**	**(51,503)**	**(39,142)**
Average number of claims	**+10%**	**66,428**	**41,523**	**(41,523)**	**(31,557)**
Average claims settlement period	**Increased by 6 months**	**25,927**	**12,718**	**(12,718)**	**(9,666)**
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)

* 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 2019 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.

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2019:

Group - Motor

Accident year	2011 and prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		180,721	171,288	174,581	215,556	227,212	233,704	253,152	262,672	-
One year later		180,720	167,276	171,442	205,004	220,901	222,874	249,092	-	-
Two years later		181,085	165,398	168,537	199,141	220,560	219,253	-	-	-
Three years later		180,033	162,055	166,733	190,368	220,391	-	-	-	-
Four years later		178,776	161,557	163,151	188,277	-	-	-	-	-
Five years later		177,156	159,682	163,431	-	-	-	-	-	-
Six years later		172,638	155,543	-	-	-	-	-	-	-
Seven years later		170,179	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		170,179	155,543	163,431	188,277	220,391	219,253	249,092	262,672	1,628,838
At end of accident year		78,768	75,232	72,600	83,456	95,466	101,493	104,593	113,731	-
One year later		136,360	123,360	121,197	145,287	162,331	168,653	181,273	-	-
Two years later		154,502	139,892	141,315	165,652	188,973	190,361	-	-	-
Three years later		163,654	147,941	149,514	173,449	199,319	-	-	-	-
Four years later		168,614	152,562	153,226	177,052	-	-	-	-	-
Five years later		169,250	153,514	155,363	-	-	-	-	-	-
Six years later		169,718	154,435	-	-	-	-	-	-	-
Seven years later		170,061	-	-	-	-	-	-	-	-
Cumulative payments to-date		170,061	154,435	155,363	177,052	199,319	190,361	181,273	113,731	1,341,595

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2019 (continued):

Group - Motor

	Note	2011 and prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		129	118	1,108	8,068	11,225	21,072	28,892	67,819	148,941	287,372
Gross general insurance outstanding liabilities (treaty inward)											112
Gross general insurance outstanding liabilities (MMIP)											26,701
Best estimate of claims liabilities											314,185
Claims handling expenses											5,982
Fund PRAD at 75% confidence level											33,355
Gross provision for outstanding claims	15.2										353,522

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018:

Group - Motor

Accident year	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
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	

NOTES TO THE FINANCIAL STATEMENTS

34. 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	15.2										339,947

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2019:

Group - Non-motor

Accident year	2011 and prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		229,089	324,501	279,158	299,458	315,598	403,374	545,692	377,393	-
One year later		242,716	349,282	293,128	349,137	287,273	360,709	498,007	-	-
Two years later		227,616	336,316	274,247	301,291	275,428	342,059	-	-	-
Three years later		248,330	303,759	251,598	287,233	267,125	-	-	-	-
Four years later		243,350	300,078	251,002	287,081	-	-	-	-	-
Five years later		230,653	297,789	251,143	-	-	-	-	-	-
Six years later		229,392	267,239	-	-	-	-	-	-	-
Seven years later		224,014	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		224,014	267,239	251,143	287,081	267,125	342,059	498,007	377,393	2,514,061
At end of accident year		62,252	83,519	76,250	73,827	110,409	122,442	132,996	155,203	-
One year later		138,492	176,147	192,412	228,703	216,755	251,088	293,846	-	-
Two years later		184,274	223,446	218,678	259,159	237,659	272,978	-	-	-
Three years later		207,305	236,986	227,757	267,323	243,546	-	-	-	-
Four years later		210,554	255,019	230,184	274,429	-	-	-	-	-
Five years later		216,780	259,066	231,840	-	-	-	-	-	-
Six years later		214,901	260,506	-	-	-	-	-	-	-
Seven years later		222,099	-	-	-	-	-	-	-	-
Cumulative payments to-date		222,099	260,506	231,840	274,429	243,546	272,978	293,846	155,203	1,954,447

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2019 (continued):

Group - Non-motor

	Note	2011 and prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		3,524	1,915	6,733	19,303	12,652	23,579	69,081	204,161	222,190	563,138
Gross general insurance outstanding liabilities (treaty inward)											1,931
Best estimate of claims liabilities											565,069
Claims handling expenses											3,919
Fund PRAD at 75% confidence level											85,023
Gross provision for outstanding claims	15.2										654,011

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018:

Group - Non-motor

Accident year	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
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

34. 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	15.2										747,811

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2019:

Group - Motor

Accident year	2011 and prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year	154,542	144,898	144,243	173,556	182,729	204,560	234,092	253,971	-	
One year later	154,828	141,320	140,217	165,112	179,545	195,522	230,422	-	-	
Two years later	155,272	139,198	138,031	158,583	175,446	190,842	-	-	-	
Three years later	154,177	137,617	136,686	153,602	173,301	-	-	-	-	
Four years later	153,889	136,685	134,184	151,625	-	-	-	-	-	
Five years later	152,730	135,005	133,906	-	-	-	-	-	-	
Six years later	148,778	131,709	-	-	-	-	-	-	-	
Seven years later	146,577	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	146,577	131,709	133,906	151,625	173,301	190,842	230,422	253,971	1,412,353	
At end of accident year	68,411	64,520	60,592	68,167	78,680	88,483	98,373	110,384	-	
One year later	117,950	104,998	100,425	118,175	133,858	148,453	170,771	-	-	
Two years later	133,400	118,897	116,298	134,079	150,964	165,656	-	-	-	
Three years later	141,014	125,744	123,038	140,262	158,944	-	-	-	-	
Four years later	145,191	129,278	126,316	142,790	-	-	-	-	-	
Five years later	145,787	130,021	127,986	-	-	-	-	-	-	
Six years later	146,181	130,783	-	-	-	-	-	-	-	
Seven years later	146,473	-	-	-	-	-	-	-	-	
Cumulative payments to-date	146,473	130,783	127,986	142,790	158,944	165,656	170,771	110,384	1,153,787	

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2019 (continued):

Group - Motor

	Note	2011 and prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		115	104	926	5,920	8,835	14,357	25,186	59,651	143,587	258,681
Net general insurance outstanding liabilities (additional provision)											5
Net general insurance outstanding liabilities (treaty inward)											112
Net general insurance outstanding liabilities (MMIP)											26,701
Best estimate of claims liabilities											285,499
Claims handling expenses											5,982
Fund PRAD at 75% confidence level											28,389
Net provision for outstanding claims	15.2										319,870

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018:

Group - Motor

Accident year	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
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

34. 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	15.2										300,816

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2019:

Group - Non-motor

Accident year	2011 and prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year	100,272	119,612	126,142	123,258	144,666	166,887	199,378	214,718	-	
One year later	102,505	116,065	124,617	124,584	133,968	152,732	202,473	-	-	
Two years later	99,529	115,963	120,020	119,848	128,159	149,104	-	-	-	
Three years later	101,359	110,137	115,224	114,753	127,342	-	-	-	-	
Four years later	98,215	105,498	111,956	114,174	-	-	-	-	-	
Five years later	94,647	103,773	111,071	-	-	-	-	-	-	
Six years later	93,433	103,011	-	-	-	-	-	-	-	
Seven years later	92,754	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**92,754**	**103,011**	**111,071**	**114,174**	**127,342**	**149,104**	**202,473**	**214,718**	**1,114,647**	
At end of accident year	36,705	45,012	52,950	48,687	61,865	78,256	97,606	112,655	-	
One year later	77,159	89,094	96,408	96,536	112,294	129,658	163,758	-	-	
Two years later	84,928	98,242	106,084	105,800	120,229	135,397	-	-	-	
Three years later	90,011	100,750	107,833	108,174	122,080	-	-	-	-	
Four years later	91,459	100,803	108,865	109,921	-	-	-	-	-	
Five years later	91,456	101,360	109,008	-	-	-	-	-	-	
Six years later	91,807	101,870	-	-	-	-	-	-	-	
Seven years later	92,341	-	-	-	-	-	-	-	-	
Cumulative payments to-date	**92,341**	**101,870**	**109,008**	**109,921**	**122,080**	**135,397**	**163,758**	**112,655**	**947,030**	

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2019 (continued):

Group - Non-motor

	Note	2011 and prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		427	413	1,141	2,063	4,253	5,262	13,707	38,715	102,063	168,044
Net general insurance outstanding liabilities (additional provision)											364
Net general insurance outstanding liabilities (treaty inward)											1,931
Best estimate of claims liabilities											170,339
Claims handling expenses											3,919
Fund PRAD at 75% confidence level											20,017
Net provision for outstanding claims	15.2										194,275

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018:

Group - Non-motor

Accident year	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
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	

NOTES TO THE FINANCIAL STATEMENTS

34. 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	15.2										179,652

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS

35.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Amortised cost ("AC");
(b) Designated as at fair value through other comprehensive income ("FVOCI");
(c) Mandatorily at fair value through profit or loss ("FVTPL"); and
(d) Other financial liabilities measured at amortised cost ("FL").

2019	Carrying amount RM'000	AC/(FL) RM'000	Designated as at FVOCI RM'000	Mandatorily at FVTPL RM'000
Financial assets				
Group				
Other investments	1,265,567	83,000	856,505	326,062
Loans and receivables, excluding insurance receivables	1,491,021	1,491,021	-	-
Insurance receivables	149,778	149,778	-	-
Cash and cash equivalents	186,188	186,188	-	-
	3,092,554	1,909,987	856,505	326,062
Company				
Other investments	826,602	-	826,602	-
Loans and receivables, excluding insurance receivables	136,443	136,443	-	-
Cash and cash equivalents	3,526	3,526	-	-
	966,571	139,969	826,602	-
Financial liabilities				
Group				
Provision for claims reported by policyholders	(814,265)	(814,265)	-	-
Lease liabilities	(47,375)	(47,375)	-	-
Insurance payables	(93,289)	(93,289)	-	-
Other payables	(100,491)	(100,491)	-	-
	(1,055,420)	(1,055,420)	-	-
Company				
Other payables	(1,511)	(1,511)	-	-

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.1 Categories of financial instruments (continued)

2018	Carrying amount RM'000	AC/(FL) RM'000	Designated as at FVOCI RM'000	Mandatorily 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)	-	-

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net (losses)/gains arising on:				
Designated as at FVOCI				
- recognised in other comprehensive income	(234,419)	175,343	(226,211)	169,233
- recognised in profit or loss	30,853	29,089	29,764	28,063
	(203,566)	204,432	(196,447)	197,296
Mandatorily at FVTPL	17,043	10,357	189	496
Amortised cost	60,441	57,618	5,153	5,876
Financial liabilities measured at amortised cost	(1,446)	(4)	-	-
	(127,528)	272,403	(191,105)	203,668

35.3 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.

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 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 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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 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 RM94,771,000 (2018: RM138,241,000) and Nil (2018: RM10,136,000) for the Group and the Company respectively; and

(ii) bank balances and deposits placed with five banks amounted to RM948,425,000 (2018: RM847,633,000) and RM138,126,000 (2018: RM145,799,000) 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 35.4(iv).

Financial assets

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2019						
FVTPL						
Corporate bonds and sukuk	-	57,214	25,103	-	-	82,317
Amortised cost						
Malaysian government guaranteed loans	40,010	-	-	-	-	40,010
Corporate bonds and sukuk	10,000	20,000	12,990	-	-	42,990
Loans and receivables, excluding insurance receivables	439,430	469,504	252,293	132,000	197,794	1,491,021
Insurance receivables	-	2,426	9,149	-	138,203	149,778
Cash and cash equivalents	27,392	10,768	48,489	87,000	12,539	186,188
	516,832	502,698	322,921	219,000	348,536	1,909,987

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

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

Company	AAA RM'000	AA RM'000	A RM'000	Non-rated RM'000	Total RM'000
2019					
Amortised cost					
Loans and receivables, excluding insurance receivables	**134,600**	**-**	**-**	**1,843**	**136,443**
Cash and cash equivalents	**127**	**-**	**3,399**	**-**	**3,526**
	134,727	**-**	**3,399**	**1,843**	**139,969**
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

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

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
2019						
Insurance receivables	**7,605**	**3,617**	**4,956**	**-**	**-**	**16,178**
2018						
Insurance receivables	4,681	2,815	1,377	-	-	8,873

(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.

	/--------- 12-months---------/ ECL		Lifetime ECL	
Group	Corporate bonds and sukuk RM'000	Due from reinsurers and cedants RM'000	Due premiums including agents and brokers and co-insurers RM'000	Total RM'000
2019				
At 1 January	**22**	**101**	**2,056**	**2,179**
Net remeasurement of allowance for impairment	**(18)**	**47**	**(154)**	**(125)**
Balance at 31 December	**4**	**148**	**1,902**	**2,054**

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Credit risk (continued)

(iv) Amount arising from ECL (continued)

Allowance for impairment (continued)

Group	/--------- 12-months---------/ ECL		Lifetime ECL	
	Corporate bonds and sukuk RM'000	Due from reinsurers and cedants RM'000	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

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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.5 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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.5 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/ Discount 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
2019							
Provision for claims reported by policyholders	**814,265**	**-**	**541,394**	**220,670**	**41,869**	**10,332**	**814,265**
Lease liabilities	**47,375**	**2.6% to 10.7%**	**7,593**	**14,843**	**13,171**	**21,043**	**56,650**
Insurance payables	**93,289**	**-**	**73,804**	**19,485**	**-**	**-**	**93,289**
Other payables	**100,491**	**-**	**82,686**	**13,851**	**3,517**	**437**	**100,491**
Total liabilities	**1,055,420**		**705,477**	**268,849**	**58,557**	**31,812**	**1,064,695**
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

* Expected utilisation or settlement is within 12 months from the reporting date.

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.5 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
2019						
Other payables	**1,511**	**1,511**	**-**	**-**	**-**	**1,511**
2018						
Other payables	1,163	1,163	-	-	-	1,163

* Expected utilisation or settlement is within 12 months from the reporting date.

35.6 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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.7 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
2019			
Malaysian operation			
Investment in an associated company	-	33,064	33,064
Cash and cash equivalents	-	1,785	1,785
	-	34,849	34,849
Singapore operation			
Investment measured at fair value through other comprehensive income	25,778	-	25,778
Cash and cash equivalents	5,650	1,342	6,992
	31,428	1,342	32,770
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			
Investment measured at fair value through other comprehensive income	32,832	-	32,832
Cash and cash equivalents	4,559	820	5,379
	37,391	820	38,211

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.7 Currency risk (continued)

(i) Exposure to foreign currency risk (continued)

Company	US Dollar 2019 RM'000	US Dollar 2018 RM'000
Investment in an associated company	**10,833**	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.

35.8 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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.9 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 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).

		2019		2018	
	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%	24,243	83,519	4,260	86,146
Market price	-10%	(24,243)	(83,519)	(4,260)	(86,146)
Company					
Market price	+10%	-	62,822	-	80,014
Market price	-10%	-	(62,822)	-	(80,014)

* 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.

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.10 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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.11 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.

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
2019										
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	856,505	-	-	856,505	-	-	-	-	856,505	856,505
Mandatorily at fair value through profit or loss										
- Unit trust	235,519	-	-	235,519	-	-	-	-	235,519	235,519
- Real estate investment trusts ("REITs")	2,466	-	-	2,466	-	-	-	-	2,466	2,466
- Exchange-traded fund ("ETF")	714	-	-	714	-	-	-	-	714	714
- Quoted shares	3,734	-	-	3,734	-	-	-	-	3,734	3,734
- Unquoted shares	-	-	1,312	1,312	-	-	-	-	1,312	1,312
- Corporate bonds and sukuk	-	82,317	-	82,317	-	-	-	-	82,317	82,317
Amortised cost										
- Malaysian government guaranteed loans	-	-	-	-	-	40,904	-	40,904	40,904	40,010
- Corporate bonds and sukuk	-	-	-	-	-	43,640	-	43,640	43,640	42,990
	1,098,938	82,317	1,312	1,182,567	-	84,544	-	84,544	1,267,111	1,265,567

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.11 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
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
Mandatorily 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

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.11 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
2019										
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	**826,602**	**-**	**-**	**826,602**	**-**	**-**	**-**	**-**	**826,602**	**826,602**
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
Mandatorily 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

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.11 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 9(d).

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 (2018: no transfer in either directions).

Level 3 fair value

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

	Group	
	2019 RM'000	2018 RM'000
Unquoted shares		
As at 1 January	**1,328**	235
Changes on initial application of MFRS 9	**-**	1,080
	1,328	1,315
Fair value (losses)/gains in profit or loss	**(16)**	13
Balance as at 31 December	**1,312**	1,328

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.

NOTES TO THE FINANCIAL STATEMENTS

36. 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 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 2019, as prescribed under the RBC Framework is provided below:

	2019 RM'000	2018 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	**200,000**	200,000
Retained earnings	**731,938**	667,507
	931,938	867,507
Tier 2 Capital		
Eligible reserves	**41,835**	47,711
Total capital available	**973,773**	915,218

37. 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 7.

(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 8.

37. 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 29.

(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:

	Associated company		Companies in which a Director has substantial financial interest	
Group	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income earned:				
Premium income	**408**	455	**36,212**	33,408
Dividend income	**-**	-	**31,051**	29,479
Fixed deposits income	**-**	-	**6,015**	5,642
Corporate bonds and sukuk income	**-**	-	**2,290**	3,306
Information technology services	**8**	34	**-**	-
	416	489	**75,568**	71,835
Expenditure incurred:				
Rental paid	**-**	-	**(3,163)**	(2,915)
Insurance commission	**(99)**	(96)	**(51,763)**	(50,678)
Stock broking commission	**-**	-	**-**	(4)
Sales charges paid on unit trust purchased	**-**	-	**(50)**	-
Corporate advisory fees	**-**	-	**-**	(86)
	(99)	(96)	**(54,976)**	(53,683)
Other transaction:				
Purchase of corporate bonds and sukuk	**-**	-	**-**	(10,000)

NOTES TO THE FINANCIAL STATEMENTS

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related parties transactions and balances (continued)

Company	Note	Subsidiary 2019 RM'000	Subsidiary 2018 RM'000	Companies in which a Director has substantial financial interest 2019 RM'000	Companies in which a Director has substantial financial interest 2018 RM'000
Income earned:					
Dividend income	22	**230,000**	210,000	**29,764**	28,063
Fixed deposits income		**-**	-	**712**	356
Corporate bonds and sukuk income		**-**	-	**325**	750
		230,000	210,000	**30,801**	29,169
Expenditure incurred:					
Premium paid		**(29)**	(20)	**-**	-
Rental paid		**(45)**	-	**-**	-
Management fees		**(578)**	(420)	**-**	-
Corporate advisory fees		**-**	-	**-**	(86)
		(652)	(440)	**-**	(86)

(b) The significant outstanding balances of the Group and of the Company as at 31 December with its related parties are as follows:

	Companies in which a Director has substantial financial interest			
	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balances with related parties:				
Placements in fixed and call deposits	**176,444**	88,097	**100**	-
Bank balances	**10,600**	12,937	**127**	109
Corporate bonds and sukuk	**36,501**	55,512	**-**	10,136
	223,545	156,546	**227**	10,245

NOTES TO THE FINANCIAL STATEMENTS

38. CAPITAL AND OTHER COMMITMENTS

	Group	
	2019 RM'000	2018 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	-	10,979
Intangible assets		
Contracted but not provided for	**3,728**	-

39. CONTINGENT LIABILITIES

On 22 February 2017, 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.

40. CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16, *Leases*.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IC Interpretation 4, *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS

40. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

As a lessee

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 3.6%. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 are determined to be the same as the carrying amounts of the leased assets and lease liabilities under MFRS 117 immediately before that date.

As a lessor

Group entities who are an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the right-of-use assets equal to lease liabilities at 1 January 2019, there are no adjustments made to the prior period presented.

The impact on the Group's statement of financial position as at 1 January 2019 is summarised below:

	1.1.2019 RM'000
Right-of-use assets	22,863
Lease liabilities	22,863

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM'000
Operating lease commitments at 31 December 2018 as disclosed in the Group's financial statements	13,843
Discounted using the incremental borrowing rate at 1 January 2019	13,245
Recognition exemption for leases of low-value assets	(883)
Extension options reasonably certain to be exercised	10,501
Lease liabilities recognised at 1 January 2019	22,863

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 129 to 248 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 2019 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: 3 February 2020

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 129 to 248 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, in Kuala Lumpur on 3 February 2020.

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 2019 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 129 to 248.

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 2019, 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(o) and Note 15 to the financial statements

The key audit matter	How the matter was addressed in our audit
The insurance contract liabilities representing 87% 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(n) and 2(o). **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, valuation of claims liabilities is a key judgemental 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.	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 has 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

Valuation of general insurance contract liabilities (continued)

Refer to Note 2(o) and Note 15 to the financial statements

The key audit matter	How the matter was addressed in our audit
Premium liabilities Estimation of premium liabilities involves judgement in the identification of best estimate value of URR at the required risk margin for adverse deviation. In determining the URR, 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 premium liabilities.	• Assessed the adequacy of the Group's disclosures in relation to insurance liabilities including historical claims development and sensitivity analysis of premium and claims liabilities on movement in key assumptions of the estimation.

Valuation of unquoted investments

Refer to Note 2(f) and Note 9 to the financial statements

The key audit matter	How the matter was addressed in our audit
The Group measures its investments in unquoted debt securities at fair values through profit or loss. The Group relies 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 may not be readily available due to low trading volume.	Our audit procedures included, among others: • 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.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

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.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 the 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.

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: 3 February 2020

ANALYSIS OF SHAREHOLDINGS

as at 17 January 2020

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	884	10.30	13	0.15	10,916	*1	153	*1
100 – 1,000 shares	2,415	28.14	29	0.34	1,158,825	0.29	12,685	*1
1,001 – 10,000 shares	3,774	43.97	78	0.91	13,503,134	3.39	354,249	0.09
10,001 – 100,000 shares	1,124	13.09	83	0.97	30,909,883	7.76	2,455,381	0.62
100,001 to 19,919,136 (less than 5% of issued shares)	163	1.90	18	0.21	138,324,623	34.72	10,450,344	2.63
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	8,361	97.41	222	2.59	354,181,621	88.90	44,201,132	11.10
Grand Total	8,583 (100%)				398,382,753(100%)			

Note:

*1 Less than 0.01%.

ANALYSIS OF SHAREHOLDINGS
as at 17 January 2020

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)	14,630,008	3.67
5.	Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41
6.	AmanahRaya Trustees Berhad Public Savings Fund	5,228,396	1.31
7.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Consolidated Chan Realty Sdn.Bhd (E-KUG)	4,986,880	1.25
8.	AmanahRaya Trustees Berhad Public Index Fund	3,981,312	1.00
9.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	3,532,080	0.89
10.	Teo Ah Khiang @ Chiang Kee Foon	3,481,920	0.87
11.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	3,411,940	0.86
12.	AmanahRaya Trustees Berhad Public Growth Fund	3,335,496	0.84
13.	Sompo Japan Nipponkoa Insurance Inc	3,096,000	0.78
14.	Tunku Zahrah Binti Tunku Osman	3,081,600	0.77
15.	AmanahRaya Trustees Berhad ASN Umbrella for ASN Equity 3	2,753,000	0.69
16.	GHS Strategic Holdings Sdn Bhd	2,625,000	0.66
17.	AmanahRaya Trustees Berhad Public Equity Fund	2,602,984	0.65
18.	AmanahRaya Trustees Berhad ASN Umbrella for ASN Imbang (Mixed Asset Balanced) 2	2,425,680	0.61
19.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - AmBank (M) Berhad for Ang Beng Poh	2,220,000	0.56

ANALYSIS OF SHAREHOLDINGS
as at 17 January 2020

	Name of Shareholders	No. of Shares Held	% of Issued Shares
20.	AmanahRaya Trustees Berhad Public Dividend Select Fund	2,210,460	0.55
21.	Seah Heng Lye	2,195,000	0.55
22.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Chin Guan	2,077,000	0.52
23.	CIMB Commerce Trustee Berhad Public Focus Select Fund	1,791,936	0.45
24.	AmanahRaya Trustees Berhad Public Sector Select Fund	1,393,392	0.35
25.	Teh Moh Lee	1,366,200	0.34
26.	Olive Lim Swee Lian	1,333,000	0.33
27.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for RBC Investor Services Trust (Clients Account)	1,282,800	0.32
28.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Beng Poh (E-BMM)	1,261,100	0.32
29.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Beng Poh (BMM)	1,250,000	0.31
30.	AmanahRaya Trustees Berhad ASN Sara (Mixed Asset Conservative) 2	1,197,220	0.30
	Total	304,340,228	76.37

ANALYSIS OF SHAREHOLDINGS
as at 17 January 2020

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct Interest No. of Shares Held	Direct Interest % of Issued Shares	Indirect Interest No. of Shares Held	Indirect Interest % of Issued Shares	Total Interest No. of Shares Held	Total Interest % 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

Name of Directors	Direct Interest No. of Shares Held	Direct Interest % of Issued Shares	Indirect Interest No. of Shares Held	Indirect Interest % of Issued Shares	Total Interest No. of Shares Held	Total Interest % 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	356,400	0.09%	273,600 *2	0.07%	630,000	0.16%
4. Mr. Lee Chin Guan	2,437,000	0.61%	-	-	2,437,000	0.61%
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 17 January 2020 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

ISSUED AND PAID-UP SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
21.08.2003	1,117,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	119,727,000
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)	951 years (26 February 2971)
Age of property	48 years
Built-up area	4,952 sq. ft
Net book value	RM27,540,000
Date of acquisition	26 February 1972
Date of last revaluation	18 December 2019

INTERNATIONAL NETWORK

GROUP CORPORATE DIRECTORY

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

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. : (03) 2262 8688 / 2723 7888
Fax No. : (03) 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. : (05) 254 0340
Fax No. : (05) 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. : (05) 8091 666 / 8091 667
Fax No. : (05) 8091 668
Email : ghang@lonpac.com

Sitiawan Branch
No. 10, Jalan PPMP 3/1
Pusat Perniagaan Manjung Point 3
32040 Seri Manjung
Perak

Contact Info
Tel No. : (05) 688 9961 / 688 9962
Fax No. : (05) 688 9960

Ipoh Branch
Lot 12 & 14
Jalan Yeop Abdul Rani
30300 Ipoh
Perak

Head of Branch
Mr. Moh Wai Kit
Tel No. : (05) 254 0340
Fax No. : (05) 254 2119 / 255 2657
Email : wkmoh@lonpac.com

NORTHERN REGION II

Head of Northern Region II
Ms. Lillian Koh Gim Ping
Tel No. : (04) 217 0998
Fax No. : (04) 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. : (04) 731 4413
Fax No. : (04) 733 6100
Email : stbeh@lonpac.com

Penang Branch
Level 3A, Sunrise Gurney
No.68, Persiaran Gurney
10250 Pulau Pinang

Head of Branch
Ms. Ooi Yen Lew
Tel No. : (04) 217 0998
Fax No. : (04) 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. : (09) 514 4107
Fax No. : (09) 514 5001
Email : fychen@lonpac.com

Kuala Terengganu Branch
Lot 5032-B
Jalan Sultan Zainal Abidin
20000 Kuala Terengganu
Terengganu

Head of Branch
Encik Yaakub Bin Abu Bakar
Tel No. : (09) 622 2088 / 622 2099
Fax No. : (09) 622 2123
Email : yaakubabubakar@lonpac.com

GROUP CORPORATE DIRECTORY

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. : (09) 744 3166 / 744 3066
Fax No. : (09) 744 9948
Email : glfong@lonpac.com

CENTRAL REGION

Kajang Branch
No. 13-1 & 13-2
Jalan KP1/3
Kajang Prima
43000 Kajang
Selangor

Head of Branch
Mr. Sebastian Tan York Chung
Tel No. : (03) 8736 9130
Fax No. : (03) 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

Head of Branch
Ms. Tan Bee Bee
Tel No. : (03) 3341 9133
Fax No. : (03) 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. : (06) 601 5677
Fax No. : (06) 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. : (06) 282 5169
Fax No. : (06) 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. : (07) 943 6860 / 943 6880
Fax No. : (07) 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. : (07) 433 8169 / 433 9169
Fax No. : (07) 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. : (07) 222 1368
Fax No. : (07) 223 0549
Email : ryanleong@lonpac.com

SARAWAK REGION

Head of Sarawak Region
Mr. Wong Shon Kwang
Tel No. : (082) 428 529
Fax No. : (082) 424 512
Email : skwong@lonpac.com

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. : (082) 428 529
Fax No. : (082) 424 512
Email : skwong@lonpac.com

Sibu Branch
No. 4 & 6, 1st Floor
Lorong Pedada 20A
96000 Sibu
Sarawak

GROUP CORPORATE DIRECTORY

Head of Branch
Mr. Joseph Pang Neng Liong
Tel No. : (084) 313 823 / 313 023
Fax No. : (084) 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. : (085) 324 806
Fax No. : (085) 324 769
Email : desmondng@lonpac.com

SABAH REGION

Head of Sabah Region
Mr. Nicholas Wong Kok Choong
Tel No. : (088) 217 922
Fax No. : (088) 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. : (088) 217 922
Fax No. : (088) 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. : (089) 237 163
Fax No. : (089) 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. : (089) 756 997 / 756 998
Fax No. : (089) 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. : (65) 6250 7388
Fax No. : (65) 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 59th 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 Thursday, 26 March 2020 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 2019 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 Clause 94 of the Company's Constitution and who being eligible offer themselves for re-election:
   i. Mr. Tan Kok Guan **Ordinary Resolution 1**
   ii. Mr. Quah Poh Keat **Ordinary Resolution 2**

3. To approve the payment of Directors' fees of RM1,085,000 for the financial year ended 31 December 2019. **Ordinary Resolution 3**

4. To approve the payment of Directors' Benefit on Allowances for Directors amounting to RM286,500 for the financial year ended 31 December 2019. **Ordinary Resolution 4** **(Please refer to Explanatory Note 2)**

5. To approve the Directors' Benefit on insurance coverage for Non-Executive Directors from 59th AGM to 60th AGM of the Company. **Ordinary Resolution 5** **(Please refer to Explanatory Note 3)**

6. To re-appoint Messrs. KPMG PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix the Auditors' remuneration. **Ordinary Resolution 6**

By Order of the Board

KONG THIAN MEE
MAICSA 7024050
Company Secretary

Kuala Lumpur
26 February 2020

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 18 March 2020 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 no later than 25 March 2020 at 11.00 a.m. You can also have the option to submit the proxy appointment electronically via Tricor's TIIH Online website at https://tiih.online no later than 25 March 2020 at 11.00 a.m. For further information on the electronic submission of Proxy Form, kindly refer to the Annexure to Proxy Form.

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' Allowances amounting to RM286,500 for the financial year ended 31 December 2019 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. Directors' Benefit on 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

LPI CAPITAL BHD
196201000175 (4688-D)

PROXY FORM

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-Ninth 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 Thursday, 26 March 2020 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. Tan Kok Guan as Director.		
2.	Re-election of Mr. Quah Poh Keat as Director.		
3.	Approval of payment of Directors' fees.		
4.	Approval of payment of Directors' Allowances.		
5.	Approval of insurance coverage for Non-Executive Directors.		
6.	Re-appointment of Messrs. KPMG PLT as Auditors of the Company and authority to the Directors to fix the Auditors' remuneration.		

(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 ______________ 2020

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:

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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

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www.lpicapital.com

LPI CAPITAL BHD
196201000175 (4688-D)

6th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Malaysia

T (03) 2262 8688 / 2723 7888
F (03) 2078 7455