LPI CAPITAL BHD
196201000175 (4688-D)

STRENGTH
IN ADVERSITY

INTEGRATED ANNUAL REPORT 2020

INSIDE THIS REPORT

STRENGTH IN ADVERSITY

The cover of our integrated annual report features the simple but powerful image of a rope that weaves together various strands to become a resilient and durable object. This is a direct reflection of LPI Capital Bhd's philosophy where we combine the various strengths throughout our organisation to create a sustainable and durable entity even during times of challenge and hardship. Moreover, the image of a rope is equivalent to that of a lifeline which reflects our primary role as a provider of insurance products and services who extends assistance to our customers in their time of need.

60TH ANNUAL GENERAL MEETING

DATE
Wednesday, 31 March 2021

TIME
11.00 AM

BROADCAST VENUE
29th Floor, Menara Public Bank, 146 Jalan Ampang,
50450 Kuala Lumpur, Malaysia.

Tells you where you can find related information in our report.

OUR GOVERNANCE

FINANCIAL REPORT

APPENDICES

Tells you where you can find more information online at www.lpicapital.com

VISION

To be the preferred premier insurance solutions provider.

CORPORATE MISSION

1. 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.
2. 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.
3. Our drive is to create value for our stakeholders, anchored to our vision and corporate mission. We strive for sustainability through financial and technical strength based on recognised and proven standards.

OUR CORE VALUES

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

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

ABOUT THIS REPORT

This report is LPI Capital Bhd's ("LPI") first integrated annual report and has been prepared in compliance with the Integrated Reporting <IR> Framework set by the International Integrated Reporting Council ("IIRC"). It covers the reporting period from 1 January 2020 to 31 December 2020. This report aims to provide a comprehensive and integrated account of the activities of our organisation and our wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac"), which are collectively known as the LPI Group ("the Group").

The report is the cumulative result of years of work and effort put in by our organisation and stakeholders ever since we made public our commitment in 2018 to deliver an integrated annual report by the end of 2020. In the intervening years since, we have reflected deeply on our role as an insurance provider, in particular the consequences of our activities on our communities and the environment, and carefully considered the value we create for our stakeholders against the value of the inputs that we consume.

Our findings from these reflections are presented in this report together with a comprehensive description of our commercial and sustainability activities so as to provide a holistic representation of LPI Group's activities. This report offers our stakeholders greater insight into our value creation process and the work we do to make ourselves a sustainable business. This report also discusses the operating context for the year under review and places particular attention on the impact of the global Covid-19 pandemic which had affected all aspects of life and substantially heightened operating volatility.

REPORTING SCOPE AND BOUNDARIES

The scope and boundaries of this report are guided primarily by the <IR> Framework which is focused on the way an organisation creates value for its stakeholders over the short-, medium- and long-terms whilst emphasising integrated thinking in the organisation. From this perspective, the scope and boundary of our report has been enlarged significantly via the inclusion of sustainability perspectives vis-à-vis our material matters. This year, we have additionally taken guidance from the Global Reporting Initiative Framework in data content which provides greater comparative analysis against sustainability metrics and indicators.

Nevertheless, we continue to retain a sustainability section that contains additional details such as supporting data and event-specific information that may be relevant to specific stakeholder segments. Unless stated otherwise, all terminology and concepts used should be regarded as universally applicable and not only to specific sections of this report.

While LPI has already started making the transition to a fully-fledged integrated annual report in the last few years, our report this year takes significant steps forward to comply with the above guidelines. To that end, we have made a significant change in the way we discuss our sustainability issues in our report this year. Specifically, this integrated annual report considers our sustainability issues in light of our larger value creation context and uses standardised language where possible in discussing our financial and non-financial performance.

ABOUT THIS REPORT

KEY CONCEPTS AND DEFINITIONS

MATERIALITY

This report is focused on the concept of materiality as the principle of identifying and assessing our sustainability matters and refining them to those that are of the greatest importance to our organisation and stakeholders.[1] This principle is applied in assessing the information that is to be included in this report, particularly on those matters that may affect or are affected by LPI Group's value creation activities and the sustainability of those activities.

VALUE CREATION

Value is created through our activities which consume and exhaust resources, i.e. capital inputs. In this process, value is created for our stakeholders each of whom have varying priorities. Values can be understood within this context as financial value – e.g. dividends, salaries, claim payout, etc. – or non-financial value such as quality of service, strong corporate governance and ethical behaviour. In order for value creation activities to be sustainable, part of the value they create must also include the replenishment of the capital inputs exhausted by the activity itself.

INTEGRATED THINKING

Integrated thinking is defined by the IIRC as "the connectivity and interdependencies between the range of factors that affect an organisation's ability to create value over time" through considerations such as:

- the capitals that the organisation uses or affects, and the critical interdependencies, including trade-offs, between them;
- the capacity of the organisation to respond to key stakeholders' legitimate needs and interests;
- how the organisation tailors its business model and strategy to respond to its external environment and the risks and opportunities it faces; and
- the organisation's activities, performance (financial and other) and outcomes in terms of the capitals – past, present and future.[2]

[1] *Definition of materiality from Bursa Malaysia Securities Berhad's Sustainability Reporting Guide (2nd Edition).*
[2] *The International <IR> Framework. Available from https://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf*

REPORTING FRAMEWORKS

The preparation of this report has been guided by the following reporting frameworks:

- The International Integrated Reporting <IR> Framework
- The Malaysian Code on Corporate Governance 2017
- Bursa Malaysia Securities Berhad's Main Market Listing Requirements
- Bursa Malaysia Securities Berhad's Sustainability Reporting Guide (2nd Edition)
- Malaysian Companies Act 2016
- The Malaysian Financial Reporting Standards ("MFRS")
- The International Financial Reporting Standards ("IFRS")
- The AA1000 AccountAbility Principles
- Global Reporting Initiative ("GRI")

ABOUT THIS REPORT

COVID-19: AN UNPRECEDENTED GLOBAL HEALTH AND ECONOMIC CRISIS

The world was gripped by the outbreak of the Covid-19 virus in 2020, which had a never-before-seen impact on almost all aspects of life and affected all individuals. Declared a pandemic by the World Health Organisation in March 2020, the Covid-19 outbreak would prove to be the ultimate disrupter, threatening the livelihoods of individuals and businesses while at the same time posing as one of the greatest health threats in recent memory.

The pandemic would also have an unprecedented impact on economies around the world. In the last year, we have seen economies contract for the first time in decades while commodity prices would nosedive as industry ground to a halt. Covid-19 has had such a substantial impact that it necessarily colours every facet of life and business, including all the roles that we play as a general insurer, employer, community member and financial institution.

This report therefore places additional emphasis on the impact of the pandemic on our organisation, especially as it has direct ramifications on the continued sustainability of our business as well as our industry. Indeed, there still remains much that is uncertain about the impact of the pandemic or when we can expect to return to business-as-usual as at the time of this report's publication.

A discussion of the impact of the Covid-19 pandemic is included elsewhere in this report, as well as our forecasts of how it might impact our performance in the coming year. The LPI Group recognises that the level of devastation caused by the pandemic has been immense, and the senior leaders of our organisation would like to take this opportunity to express their sympathy to all who have suffered loss or other negative consequences as a result of the pandemic. They remain confident that, with the Government's continued efforts and the discovery of a vaccine for the virus, conditions will recover sooner rather than later.

FORWARD-LOOKING STATEMENTS

This report may contain certain forward-looking statements with respect to some of LPI's plans and its current goals and expectations related 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 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 affiliates 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.

BOARD APPROVAL

LPI's Board of Directors ("the Board") is confident that all efforts have been made to provide a thorough and comprehensive disclosure of our activities and their impact during the year under review. As with our previous reports, we continue to improve our reporting practices by amending definitions and processes in tandem with changes to our reporting framework.

Where relevant, these changes will be noted in the main text of the report or in a corresponding footnote. This report was prepared in line with the guidelines provided by Bursa Malaysia Securities Berhad as well as the <IR> Framework, and the report as a whole has been reviewed and endorsed by LPI's Board. The Board is represented on the Sustainability and Integrated Reporting Committee by its Executive Director Mr. Tan Kok Guan.

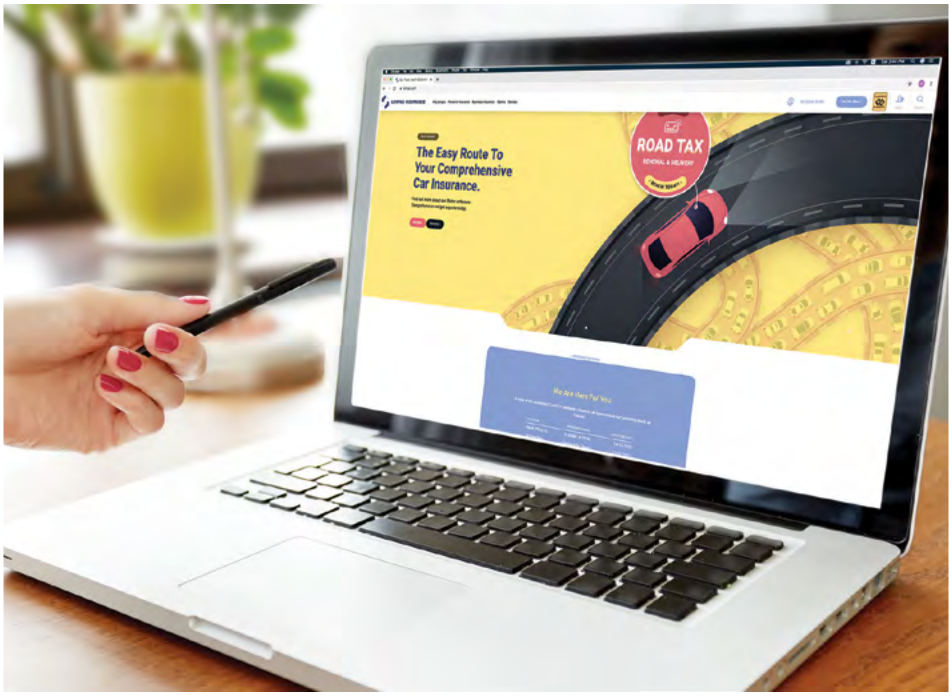
Read more on our responsibility for preparing the integrated annual report on page 94.

CORPORATE **PROFILE**

LPI Capital Bhd ("LPI"), an investment holding company listed on the Malaysian stock exchange, is involved in the sale and distribution of premium general insurance solutions in Malaysia and Singapore through its wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac") and also in Cambodia through LPI's 45%-owned Campu Lonpac Insurance Plc.

Previously known as London & Pacific Insurance Company Bhd, LPI was founded 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 established itself as a cornerstone of the Malaysian insurance business, affirmed by a public listing 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 during a corporation rationalisation scheme on 1 May 1999. Our comprehensive solutions for all customer classes have secured us an approximate 8.46% share of the Malaysian general insurance market as at September 2020. While its dominance in Malaysia is testament to its comprehension of the ever-evolving market and its needs, its influence in Cambodia and Singapore is still growing due to the competitive nature of the Singaporean insurance industry and the relative infancy of the Cambodian insurance landscape.



Since its establishment over 50 years ago, LPI and its wholly-owned subsidiary Lonpac, which collectively form the LPI Group ("the Group"), has matured into an esteemed leader through its judicious weathering of substantial challenges, from increasing competition to the recent Covid-19 pandemic. Our prudential approach to risk, ability to innovate and adapt to changing market conditions and emphasis on strong relationships with stakeholders confirms our continued significant role in the years to come.

This platform of trust, built on mutual respect and our philosophy of practising the highest levels of ethical and corporate governance, has assured generations upon generations of customers of our reliability and consistency, which have been crucial to our sustainable growth over the decades.

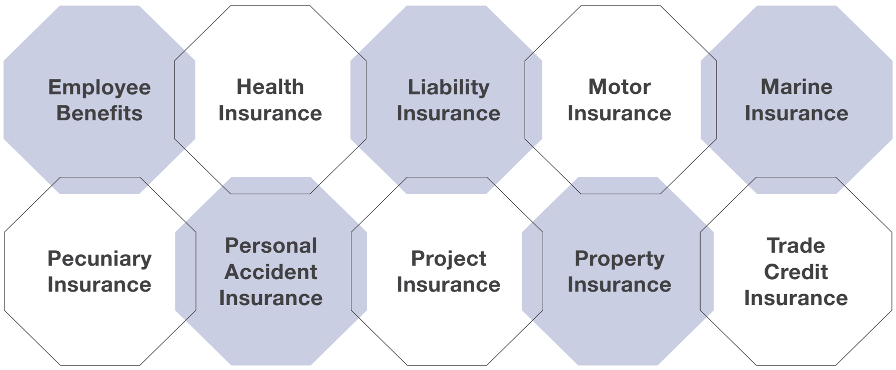
CORPORATE PROFILE

The Group's key value propositions for our stakeholders are as below:

1 PROVIDING A DIVERSE PORTFOLIO OF PRODUCTS AND SERVICES

Our commitment to providing comprehensive insurance coverage to customers from all walks of life not only assures them of financial security in their everyday lives, but also affords them of peace of mind when they are at their most vulnerable. We recognise that individuals have differing needs and thus place great emphasis on ensuring that our products and services are accessible and relevant to all by keeping abreast of changes in the demographics and landscape of the Malaysian general insurance industry.

While we prioritise the growth of certain classes within the insurance business, our prudential approach encompasses all undertakings and diligent care is paid to each class to ensure healthy development across all classes. At present, the Group offers insurance solutions in the following areas:



As part of our dedication to the development of all business areas, the Group regularly connects with local and foreign partners and reinsurers to ensure that customers receive the very best coverage and competitive pricing. This is inextricably linked to our engagement with digital technology. As online and mobile transactions become increasingly preferred by customers, we strongly feel the need to meet them where they are most comfortable and lead the way in delivering the superior digital offerings they should expect from their financial services providers. It is with this in mind that we embarked on our Digital Transformation to establish technology as a key channel of distribution and enhanced our systems to future-proof our business.

2 MAINTAINING AN EXTENSIVE DISTRIBUTION NETWORK

The Group maintains an extensive product distribution network befitting its wide audience. At the heart of our network is our cohort of agents, which has been carefully nurtured and developed to effectively reach out to all segments of society and customer groups within our operating markets. They are the force that communicates new product offerings to customers while acting as invaluable sources of feedback, keeping our Product Development Committee apprised of changing market conditions. This allows us to better tailor products and services for specific market groups according to their interests and insurance needs.

Supplementing these efforts is our in-house marketing team, which constantly analyses market and demographic data to innovate new products and identify new distribution channels for further business growth. The marketing team is mentored internally under a rigorous talent development programme to ensure that members meet both internal and external operating benchmarks.

Our investment in digital solutions makes an appearance here with 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 both peak efficiency and a secure data environment. Greater use of IT has lowered the Group's operating costs and improved efficacy and profitability. Our operating reach presently comprises 21 Lonpac branches in Malaysia and one in Singapore, as well as an associated company in Cambodia through LPI's partially-owned Campu Lonpac Insurance Plc.

CORPORATE PROFILE

3 PRIORITISING CUSTOMER SUPPORT

Customer service has been a hallmark of the Group since its founding in 1962. As our agents represent our main product distribution channel, they are intensively trained and incentivised to create lasting and meaningful relationships with our customers. This not only translates to supporting staff in all their endeavours to reach their full potential, but also secures our spotless customer track record. In 2004, Lonpac established a Customer Service Centre to manage customer queries and concerns. A web portal followed to reach customers at their preferred venue, regularly updated to offer extensive information on policies and product offerings as well as provide corporate material to investors and shareholders as part of our commitment to transparency and good corporate governance. The portal also functions as a self-service platform that gives customers autonomy in managing their policies, submitting feedback and making enquiries.

We pay especial attention to the management of insurance claims, a process which can be incredibly stressful for clients. We are continuously seeking ways to make this as painless as possible, from expediting our procedures to minimising disputes and settling open cases as efficiently as we can. Our claims process is benchmarked against internal targets and is assessed every quarter to ensure it meets the high expectations we place upon ourselves. As with everything we do here, this is closely guided by our customer-centric corporate culture, which places the customer at the heart of all activities and interactions.

Services offered through Lonpac include:

LONPAC E-ASSIST

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

LONPAC HOME-ASSIST

A referral assistance programme that provides 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, Travel Secure and Travel ezSecure policies when away from home.

The same priority given to customer protection and comfort extends to the safeguarding of their data and confidential information. The Group has numerous policies and safeguards in place to ensure that all customer data is maintained in a secure environment that can only ever be accessed by authorised persons.

4 HIGHLIGHTING LOCAL EXPERTISE AND DEVELOPMENT

As one of the few large locally-owned insurers in Malaysia, we have the distinct advantage of an intimate understanding of Malaysian culture and business philosophies. Local professionals make up our Management and Board of Directors ("Board"), enabling us to leverage on their expertise and networks to foster stronger relationships with our stakeholders.

Additionally, as a member of the local community, we are wholly invested in the long-term success of our interests in Malaysia. This orients our business strategy of achieving conservative, tenable growth, as well as sets sustainability as a keystone of our practice in the form of marketplace development, workplace management, community development and environmental conservation. Through this holistic, multi-pronged approach, we have been able to secure the support of generations of Malaysians.

CORPORATE PROFILE

OUR CORE VALUES

Our value creation activities are guided by a set of core values that form the basis of our culture.[1] This set of values set the standards for the way we are expected to conduct ourselves as well as our responsibilities to all our stakeholders including our customers, employees and communities. Supporting our core values is our commitment to ensure the sustainability of all that we do. We make sustainability the responsibility of our staff at all levels of our organisation beginning at the very top with our senior leaders in management and on the Board, down to our day-to-day staff on the ground. In practice, this means thinking about our Environmental, Social and Governance performance, which is defined by our collection of material matters.

OUR APPROACH TO SUSTAINABILITY

At LPI, we believe that sustainability is a responsibility of all stakeholders who bear a relationship with the Group. From that perspective, it is our responsibility to guide, encourage and educate our stakeholders to behave in a sustainable manner. We therefore take extra care to ensure that sustainability is championed through example in our organisation and that the leaders exemplify best practices and implement them in their management of the Group.

Sustainability at LPI therefore begins at the very top of our organisation with our Board and Senior Management, and extends 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 and is best positioned to identify our sustainability needs, formulate strategies and execute initiatives in response to the changing operating environment.

Meanwhile, the Group as a whole is responsible for our interactions with our stakeholders, to whom we owe obligations grounded in the Economic, Environmental and Social ("EES") dimensions of our sustainability practice. These in turn 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

Our relationship with our stakeholders is given diagrammatically in our business model which can be found on pages 48 to 49 of this report. Collectively, these stakeholders represent the recipients and contributors to our value creation activities.

[1] *Please turn to page 1 for a list of our core values.*

FINANCIAL **HIGHLIGHTS**

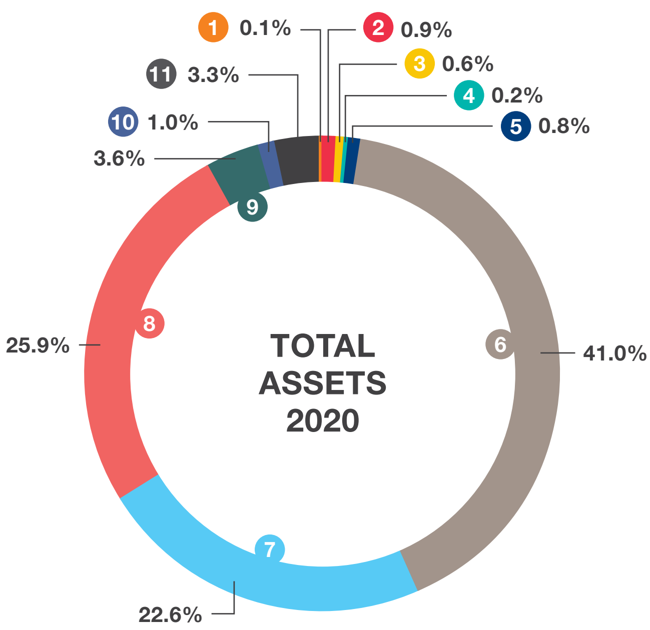
GROSS WRITTEN PREMIUMS
RM1.6 BILLION

PROFIT BEFORE TAX
RM433.6 MILLION

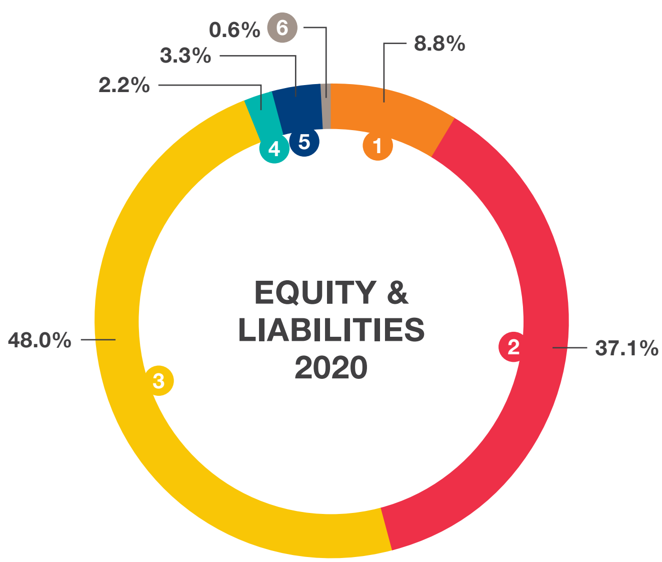
RETURN ON EQUITY
16.2 %

RETURN ON ASSETS
7.5 %

NET DIVIDEND PER SHARE
72.00 sen



1. Plant and equipment
2. Right-of-use assets
3. Investment properties
4. Intangible assets
5. Investment in an associated company
6. Other investments
7. Reinsurance assets
8. Loans and receivables, excluding insurance receivables
9. Insurance receivables
10. Deferred acquisition costs
11. Cash and cash equivalents



1. Share capital
2. Reserves
3. Insurance contract liabilities
4. Insurance payables
5. Deferred tax liabilities, lease liabilities and other payables
6. Current tax payables

NON-FINANCIAL **HIGHLIGHTS**

THE BRANDLAUREATE THE WORLD'S FIRST BESTBRANDS E-BRANDING AWARD 2020

FOR MOST VALUABLE BRAND IN GENERAL INSURANCE

by the World Brands Foundation

THE 2019 ASEAN CORPORATE GOVERNANCE SCORECARD AWARD

ASEAN ASSET CLASS PLCS (MALAYSIA)

by the ASEAN Capital Markets Forum

BEST TAXPAYER AWARD 2019

by the Inland Revenue Board

NO. OF EMPLOYEES

815

NO. OF POLICIES ISSUED

2,608 PER EMPLOYEE

GROSS WRITTEN PREMIUMS INCOME

PER EMPLOYEE (RM'000)

2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
1,903	1,875	1,830	1,799	1,656	1,695	1,630	1,609	1,550	1,486

FINANCIAL CALENDAR
FINANCIAL YEAR 2020

Announcement of Consolidated Results

- **4 MAY 2020 (MONDAY)**
  Announcement date

  Unaudited results for the 1st quarter ended 31 March 2020

- **17 AUGUST 2020 (MONDAY)**
  Announcement date

  Unaudited results for the 2nd quarter ended 30 June 2020

- **15 OCTOBER 2020 (THURSDAY)**
  Announcement date

  Unaudited results for the 3rd quarter ended 30 September 2020

- **3 FEBRUARY 2021 (WEDNESDAY)**
  Announcement date

  Audited results for the 4th quarter and financial year ended 31 December 2020

Dividends

- **17 AUGUST 2020 (MONDAY)**
  Notice date

- **3 SEPTEMBER 2020 (THURSDAY)**
  Entitlement date

- **11 SEPTEMBER 2020 (FRIDAY)**
  Interim dividend payment date

  First interim single tier dividend of 28 sen per ordinary share

- **3 FEBRUARY 2021 (WEDNESDAY)**
  Notice date

- **19 FEBRUARY 2021 (FRIDAY)**
  Entitlement date

- **1 MARCH 2021 (MONDAY)**
  Interim dividend payment date

  Second interim single tier dividend of 44 sen per ordinary share

Annual General Meeting

- **3 MARCH 2021 (WEDNESDAY)**

  Notice of 60th Annual General Meeting

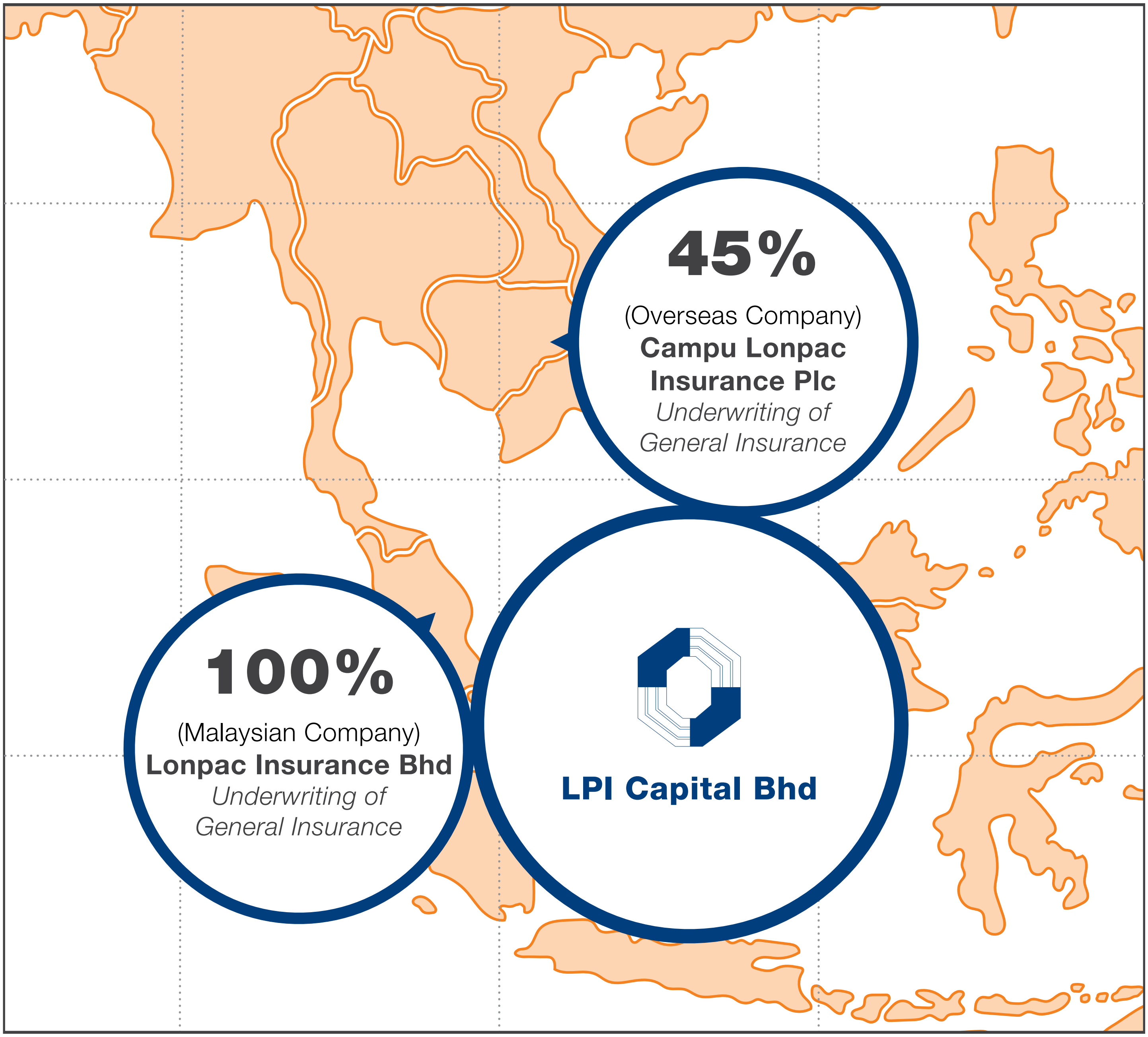
- **31 MARCH 2021 (WEDNESDAY)**

  60th Annual General Meeting

PERFORMANCE AT A GLANCE

FINANCIAL HIGHLIGHTS	GROUP 2020	GROUP 2019
OPERATING RESULTS (RM'000)		
Operating Revenue	**1,621,592**	1,602,701
Gross Written Premiums	**1,550,625**	1,524,368
Operating Profit	**432,408**	414,389
Profit Before Tax	**433,565**	414,719
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM'000)		
Total Assets	**4,519,706**	4,045,890
Total Liabilities	**2,444,238**	2,073,991
Total Equity	**2,075,468**	1,971,899
FINANCIAL RATIOS (%)		
Profitability Ratios		
Return on Equity	**16.2**	16.3
Return on Assets	**7.5**	8.0
Operating Margin	**26.7**	25.9
Net Claims Incurred	**41.2**	43.9
Productivity Ratios		
Gross Written Premiums Income per Employee (RM'000)	**1,903**	1,875
No. of Policies Issued per Employee	**2,608**	2,531

GROUP
CORPORATE STRUCTURE
AS AT 31 DECEMBER 2020



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 175 to 176 of this Integrated Annual Report.*

NOTE FROM **OUR CHAIRMAN**

To Our Valued **STAKEHOLDERS**

We are living in unprecedented times. As at 2 February 2021, just under 103 million Covid-19 cases have been reported worldwide and over 2.2 million deaths attributed to the virus, according to the World Health Organisation ("WHO"). In Malaysia, the number of cases has been steadily rising, with over 113,010 reported cases as at the end of 2020 with 471 deaths attributed to the virus for the same time period.[1] It is an understatement to say that almost every person has felt the impact of the virus, whether they have lost a loved one, fallen ill themselves or had their livelihoods and mobility curtailed by efforts to break the chain of contagion.

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

[1] *Based on numbers from Malaysia's Ministry of Health at http://covid-19.moh.gov.my/terkini/122020/situasi-terkini-covid-19-di-malaysia-31122020*

NOTE FROM OUR CHAIRMAN

PROFIT BEFORE TAX

RM433.6 million

4.6% from RM414.7 million in the previous year.

CLAIMS INCURRED RATIO

41.2%

from 43.9% in 2019

COMBINED RATIO

66.6%

from 69.8% in 2019

TOTAL DIVIDEND PAYOUT

72 sen

2.9% from 70 sen per share in the previous year.

As insurers, we are aware of the systemic impact that an unforeseen risk such as the pandemic may have on lives and businesses, and we are fully sympathetic to all who have experienced loss from this pandemic in this past year. Our hope is that the promising discovery of several vaccines to the virus will prove fruitful and set us on the path to recovery. In this regard, we remain optimistic that the worst will soon be over and that we may all return to a level of normalcy – a 'New Normal' – that will allow us to live and prosper as freely as before.

With respect to the performance of LPI Capital Bhd ("LPI") and our insurance arm Lonpac Insurance Bhd ("Lonpac"), collectively known as LPI Group ("the Group") in 2020, the Board of Directors ("the Board") would like to report that the Group has held together remarkably well in light of the challenges posed by the pandemic. The Group reported a Profit Before Tax ("PBT") of RM433.6 million, up 4.6% from RM414.7 million in the previous year. The bulk of the improvement stems from the strong underwriting contributions driven by lower claims with our Claims Incurred Ratio coming in at 41.2% (FY2019: 43.9%). As a result, our Combined Ratio continued to improve, moderating to 66.6% from 69.8% in 2019.

Although these numbers are in line with trends in the general insurance sector, I am pleased to note that Lonpac bucked the industry's performance by continuing to see growth, albeit marginal, in total gross written premiums ("GWP"). This is particularly noteworthy for us as the demand for insurance has slowed considerably, which, as a result, has caused GWP for the overall industry to contract -0.9% for the 9-month period ended 30 September 2020. Our positive growth, on the other hand, is therefore a benchmark indicator of the level of trust that our customers have in us and is suggestive of the relevance and necessity of our products and services especially during these challenging times.

At the Group level, we experienced a reduction in our investment income owing to the persisting low interest-rate environment and reduced dividend pay-outs from our investees. We have adjusted our investment portfolio in response to these challenges and remain confident that our capital levels are more than adequate based on our existing and anticipated needs. I am pleased to announced on behalf of the Board that we have declared a second interim single tier dividend of 44 sen for the financial year ended 31 December 2020, bringing our total dividend payout for 2020 to 72 sen per share.

CREATING VALUE IN A CRISIS

As insurers, we are classified as an essential service and must maintain our readiness to perform our duty when called upon by our stakeholders. The Board has reviewed the actions taken by the Management of the Group during this unprecedented crisis and believes that they have performed admirably in taking all necessary precautions to ensure operational continuity and safeguarding the health and safety of our stakeholders. This has in turn ensured that we continued to maintain excellent service levels as well as efficient operational processes.

NOTE FROM OUR CHAIRMAN

The Board is of the opinion that the Group had responded positively to the Government's imposition of its Movement Control Order ("MCO") in March 2020, which lasted in some form or another until the end of the year. The MCO was designed to contain the spread of Covid-19 by limiting physical interaction and ensuring that minimum hygiene levels are observed in public spaces. We have embedded these Standard Operating Procedures ("SOPs") into our own operations and also implemented the following policies:

OUR RESPONSE TO COVID-19

1 WORK FROM HOME POLICY FOR EMPLOYEES

Employee health and safety is a key material issue for us and we have implemented a work from home policy for employees in order to reduce the number of staff in our offices and minimise unnecessary travel. Our employees have given us substantial support in the implementation of this policy, which has helped us keep the number of Covid-19 cases among our staff to just one reported case in 2020. Meanwhile, we also minimised the amount of face-to-face interaction between our employees and agents as part of our SOP.

2 VIRTUAL ANNUAL GENERAL MEETING

We conducted our first ever virtual annual general meeting on 17 June 2020 in line with the Government's stipulations of the MCO. The meeting was conducted in accordance with the guidance supplied by the Securities Commission ("SC") and saw 278 virtual participants on the day itself. The virtual AGM helps us safeguard the health and safety of all our stakeholders while enabling us to convey important strategic and performance data to them.

3 DIGITALISATION OF OUR PROCESSES

One of the main revelations of the pandemic was the need for us to accelerate our digital transformation. Leveraging on technology was essential in helping us maintain the continuity of our business from facilitating virtual meetings to enabling remote access to our systems. This has in turn allowed us to continue delivering value to our stakeholders, particularly to our customers and agents who may have urgent need of our services.

In addition to these processes, we also continue to put in place new measures and amend policies such as our Business Resumption Continuity Plan ("BRCP") to better manage the impact of a prolonged pandemic. These measures will ensure that we are better prepared to deal with the next pandemic now that it has been revealed to be a potential risk factor with substantial impact on our operations.[2]

The Group has also taken steps to strengthen the corporate governance ("CG") of our organisation in line with new listing requirements and best international practices. While we have always maintained an excellent CG track record, we recognise that good governance becomes all the more important in times of crises because it is then that we need to ensure that the organisation moves effectively and reliably, and in the best interest of our stakeholders. CG, from this perspective, should be viewed as a self-disciplinary practice that must be revisited regularly.

<IR>: BUILDING ON OUR TRADITION OF SUSTAINABILITY

The Group has always prioritised sustainability in all that we do. This has been a part of our company's DNA since its founding over 50 years ago and we continue to maintain this essential component of our identity today. In the decades since our founding, we have experienced crises of all varieties: financial, political, and as of this year, viral. In every case, the Group has emerged from these challenges stronger and more resilient to future shocks. We credit this resilience to our prudential management of risk, our stakeholder-focused approach and measured philosophy on growth, which is always planned rather than reactive.

[2] *For more information about our strategic plans, please turn to pages 18 to 39 of this report.*

NOTE FROM OUR CHAIRMAN

From this perspective, integrated reporting or <IR> complements perfectly with our existing business model which is value creation-focused, customer-centric and sustainability-oriented. Nevertheless, the changes in reporting requirements as well as greater global investor demand for transparency and performance visibility has prompted us to adopt new guidelines in the preparation of our integrated annual report. Under this new regime, we have adapted our reporting structure to harmonise with international standards and allow for improved comparison of our sustainability performance against a wider field.

Our report therefore reorients our reporting policy to address material matters where possible and identifies the relevant stakeholders involved in our various activities. This report has also reorganised the presentation of information to better highlight the integration of our sustainability and value creation activities. We recognise there is room for further refinement of our reporting policies and will consider adopting best practices from other standards such as the Sustainability Accounting Standards Board ("SASB") in future reports.

OUTLOOK

The coming year will continue to be dominated by the Covid-19 pandemic and the effectiveness of global efforts to contain its spread. The announcement of several Covid-19 vaccines towards the end of 2020 is a promising development which, if effective, will do much to contain the virus and restore global economic activity. There is general consensus that there will be a reversal of the economic contraction of 2020 in the coming year, with the International Monetary Fund projecting global Gross Domestic Product to grow 5.5% in 2021.

The recovery of external demand will be a key catalyst for the recovery of the Malaysian economy, which the Government has projected to grow between 6.5% and 7.5%. However, it will be largely dependent on the ability of governments from around the world to contain the spread of the virus, and a recovery of demand in their respective nations. If this does come to pass, this will be a positive catalyst spurring greater economic activity in Malaysia which will in turn increase demand for insurance products.

On the local front, we are heartened by the measures announced under Budget 2021 which sees greater fiscal stimulus being injected into the local monetary system. These, as well as the announcement of new infrastructure projects, will be a positive catalyst for local economic activity, and increase the circulation of funds within the local economy. We expect the low interest-rate environment to persist into the foreseeable future, which may encourage greater sales of property and motor vehicles which are important portfolios for Lonpac.

ACKNOWLEDGEMENTS

LPI's Board would like to acknowledge the Management and staff of the LPI Group who have put in an incredible amount of effort this past year in managing the pandemic while still turning out a highly creditable performance. The operating conditions we have faced in this past year are unprecedented and we are confident that our people – with their tenacity and ability to adapt to adverse conditions – have allowed us to develop creative solutions in response to these challenges. We hope that you will continue to demonstrate these qualities in the coming year, which may prove to be as challenging as the past even as everyone adjusts to working in the New Normal.

We would also like to express our thanks to our network of agents who have persevered during this past year to strengthen their relationships with our customers and clients, and continued to function as an important bridge between them and us. We look forward to smoother sailing in the years to come and we thank you for your continued loyalty and support of us. A special note of gratitude goes out to our customers and shareholders who have remained staunch supporters of our efforts and our business. We hope that we have met your needs through the value that we create as an insurance provider and investment vehicle, and please let us know if there are better ways in which we can serve you.

Finally, we would like to acknowledge the special efforts of our regulators and governing authorities who have maintained a flexible position during this time of pandemic while ensuring a fair and orderly marketplace. Last but not least, I would like to express my personal thanks to my fellow Board members for their contributions this past year. I look forward to a productive 2021 with the rest of you in the coming months.

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

MANAGEMENT **DISCUSSION & ANALYSIS**

The Management Discussion & Analysis ("MD&A") discusses the value creation activities of LPI Capital Bhd ("LPI") and our wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac"), collectively known as LPI Group ("the Group"), for the financial year ended 31 December 2020. As with previous years, we disclose qualitative and quantitative reports of our performance outcomes that allow stakeholders to assess and evaluate our performance for the year.

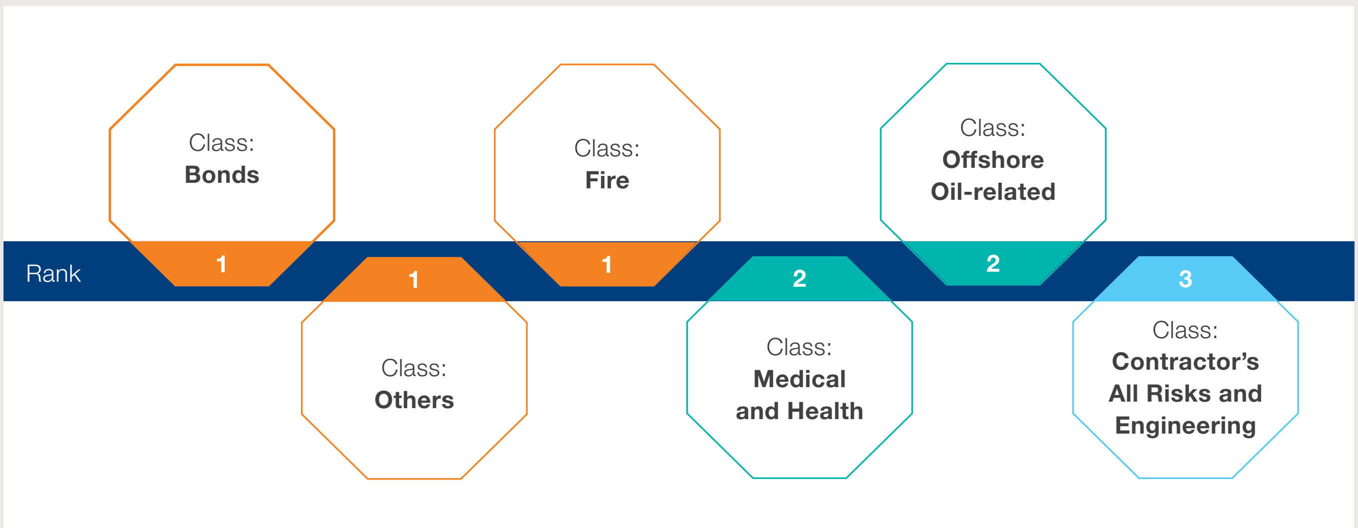
MANAGEMENT DISCUSSION & ANALYSIS

Our MD&A this year continues the practice began in our report last year to shift the focus of our discussion to our value creation activities, especially as it pertains to our material matters and their impact on our stakeholders. This section also discusses the ways that we create sustainable value over the short-, medium- and long-terms, particularly in light of the challenges presented by the Covid-19 pandemic in the immediate term.

We are pleased to note that we have maintained our market leading position in 2020 despite the challenging operating conditions, and have surpassed the industry average on most key performance benchmarks. In particular, our Combined Ratio which is a direct measure of the profitability of insurers, surpassed the industry average by almost 20 percentage points. Meanwhile, our Management Expenses Ratio – a measure of our efficiency – was 5.1 percentage points lower than the industry average. The summary of our business performance provides an overview of our ranking with respect to specific portfolio classes within the general insurance business.

BUSINESS PERFORMANCE BENCHMARKS

- Market position on Gross Direct Premiums (Motor & Non-Motor) – General Insurance for the period January – September 2020: Ranked 3rd
- Classes of insurance where Lonpac was ranked in the top three for the period January – September 2020:



- Lonpac's Combined Ratio – the sum of incurred losses and expenses as a percentage of earned premiums – was 69.5% for the period January – September 2020 as compared to the industry average of 89.4%
- Lonpac's Management Expenses Ratio was 20.0% for the period January – September 2020 as compared to the industry average of 25.1%

Source: ISM Statistical Bulletin - Market Share by Line of Business and Market Performance, General Insurance & General Takaful

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS - TEN-YEAR GROUP FINANCIAL SUMMARY

	Year Ended 31 December									
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
OPERATING RESULTS (RM'000)										
Operating Revenue	**1,621,592**	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
Gross Written Premiums	**1,550,625**	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
Operating Profit	**432,408**	414,389	401,954	401,263	516,502	391,100	342,032	257,277	214,685	201,147
Profit Before Tax	**433,565**	414,719	405,965	403,749	518,925[N1]	393,066	341,949	256,801	214,036	200,053
Profit Attributable to Owners of the Company	**336,728**	322,361	314,049	313,794	437,223	320,989	283,016	201,440	166,925	154,494
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM'000)										
Total Assets	**4,519,706**	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
Total Liabilities	**2,444,238**	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
Share Capital	**398,383**	398,383	398,383	338,244	331,986	331,986	221,324	221,324	221,324	221,324
Total Equity	**2,075,468**	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
SHARE INFORMATION AND VALUATION										
Share Information										
Per share (sen)										
Basic Earnings	**84.5**	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]
Net Dividend	**72.00**	70.00	68.00	72.00	80.00	70.00	75.00	70.00	65.00	75.00
Net Tangible Assets	**518.73**	492.34	541.38	578.61	553.43	523.70	746.81	729.22	623.00	536.33
Share Price as at 31 December (RM)	**13.72**	15.10	15.74	18.16	16.38	16.08	18.06	17.44	14.54	13.52
Market Capitalisation (RM'000)	**5,465,815**	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
Share Valuation										
Net Dividend Yield (%)	**4.6**	4.0	3.8	4.5	5.6	4.1	5.0	5.1	4.9	7.1
Dividend Payout Ratio (%)	**85.2**	86.5	86.3	76.2	60.7	72.4	58.6	76.6	85.8	107.0
Price to Earnings Multiple (times)	**16.2**	18.7	20.0	19.2	12.4	16.6	21.1	19.1	19.2	19.3
Price to Book Multiple (times)	**2.6**	3.1	2.9	3.1	3.0	3.1	2.4	2.4	2.3	2.5

MANAGEMENT DISCUSSION & ANALYSIS

Operating revenue has shown steady growth over the past 10 years in tandem with gross written premiums ("GWP") a result of the improvements that we have introduced into our operations including product development, better risk pricing and the development of our distribution channels. Loss-making portfolios have also been trimmed and restructured during that time period to minimise their impact on our performance.

KEY RISKS

- Operational disruptions due to Covid-19 and other process failures
- Greater competition as a result of the liberalisation of the industry
- Greater competition from digital/ alternative insurance platforms

Our total liabilities to total assets ratio has remained stable over the past 10 years and remain within the prudential range of between 0.49 and 0.54 times. The strength of our balance sheet is assessed annually by an external credit ratings agency, and has consistently placed at or near the top of the rankings. The adequacy of our capital is also assessed annually and falls well within the regulatory limits set for Malaysian financial institutions.

KEY RISKS

- Systemic failure in financial systems
- Severe disruption to our business activities

LPI maintains a healthy dividend policy which has seen a net dividend yield of between 3.8% and 7.1% over the last 10 years. Our dividend payment is dependent on several factors including our performance during the year, our funding needs and our strategic objectives in the coming year, e.g., the Group's investment into Information and Communication Technology infrastructure as part of our digital transformation plan.

KEY RISK

- Disruptions to financial performance

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.

N2 - The Basic Earnings Per Ordinary Share from 2011 to 2017 were restated to take into consideration the effect of bonus issues during the years 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.

MANAGEMENT DISCUSSION & ANALYSIS

	Year Ended 31 December									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
FINANCIAL RATIOS (%)										
Profitability Ratios										
Return on Equity ("ROE")	**16.2**	16.3	14.6	16.3	23.8	18.5	17.1	12.5	12.2	13.1
Return on Assets	**7.5**	8.0	7.4	8.2	12.0	8.9	8.4	6.3	6.1	6.4
Operating Margin	**26.7**	25.9	26.6	27.3	37.5	30.4	29.2	23.0	20.7	22.3
Net Claims Incurred	**41.2**	43.9	40.9	38.5	38.3	41.0	44.0	45.5	47.5	48.9
PRODUCTIVITY RATIO										
No. of Employees	**815**	813	803	790	772	738	705	687	667	611
Gross Written Premiums Income per Employee (RM'000)	**1,903**	1,875	1,830	1,799	1,656	1,695	1,630	1,609	1,550	1,486
No. of Policies Issued per Employee	**2,608**	2,531	2,554	2,399	2,315	2,616	2,331	2,352	2,296	2,304
No. of Claims Settled per Claims Staff	**1,344**	1,534	1,462	1,395	1,340	1,197	1,176	1,170	1,127	1,082

Net claims declined significantly in 2020 as economic activities were curtailed by the Covid-19 pandemic. As claims are the single largest expense for insurance companies, the decrease in claims incurred has a significant impact on profitability ratios.

KEY RISKS

- Unusually large increase in claims filed
- Fraudulent claims

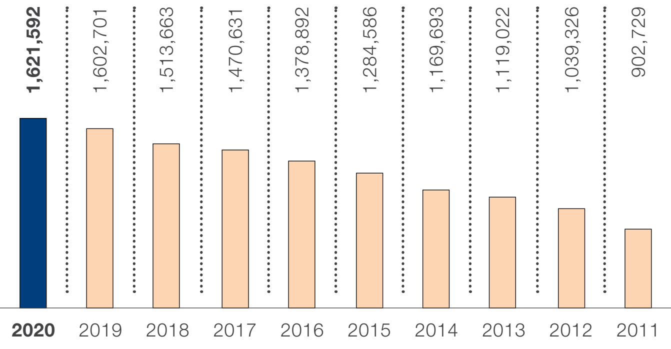
Staff productivity is a key performance benchmark that is closely monitored and reviewed every quarter. Over the past 10 years, we have invested heavily into automation and business process management systems to improve efficiency and productivity of our employees. Productivity is expected to further improve as we continue to digitalise our business as part of our digital transformation programme.

KEY RISK

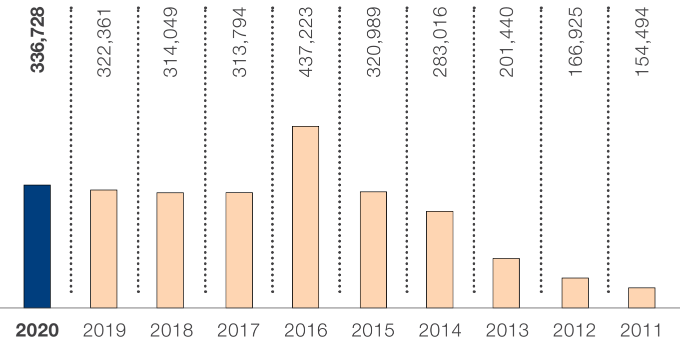
- Shortage of skilled and experienced talent

MANAGEMENT DISCUSSION & ANALYSIS

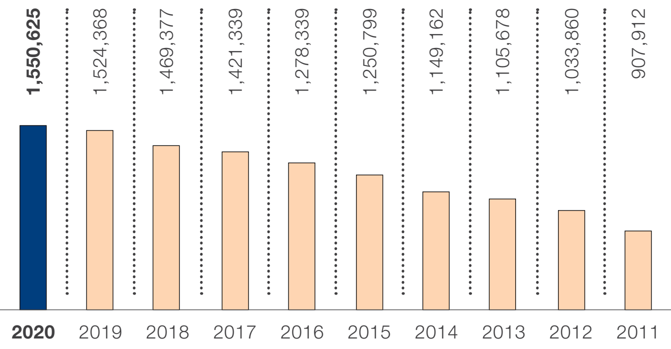
OPERATING REVENUE (RM'000)



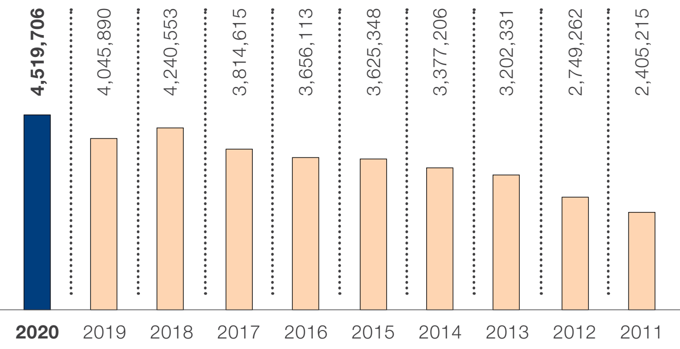
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)



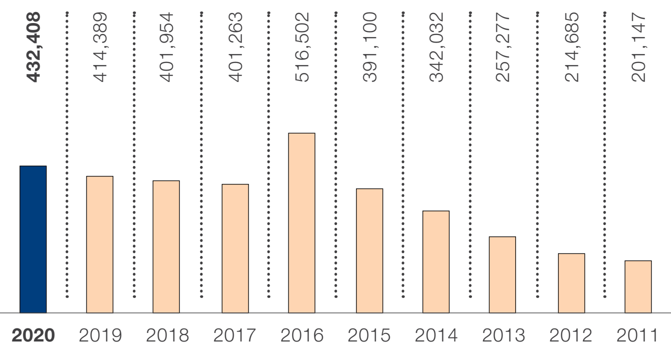
GROSS WRITTEN PREMIUMS (RM'000)



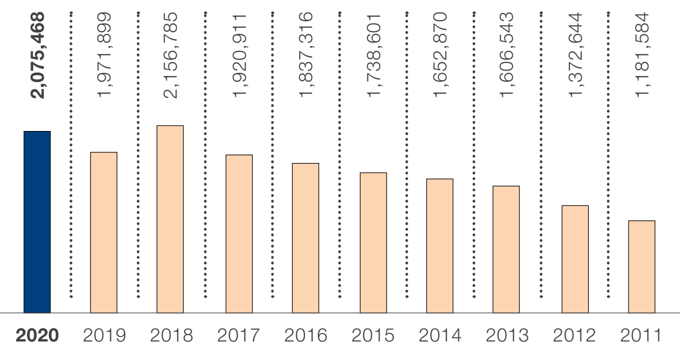
TOTAL ASSETS (RM'000)



OPERATING PROFIT (RM'000)

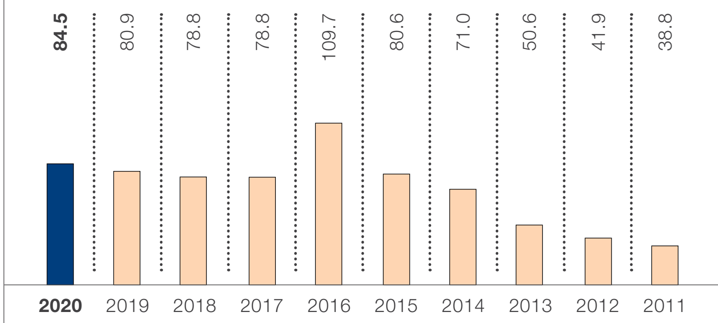


TOTAL EQUITY (RM'000)

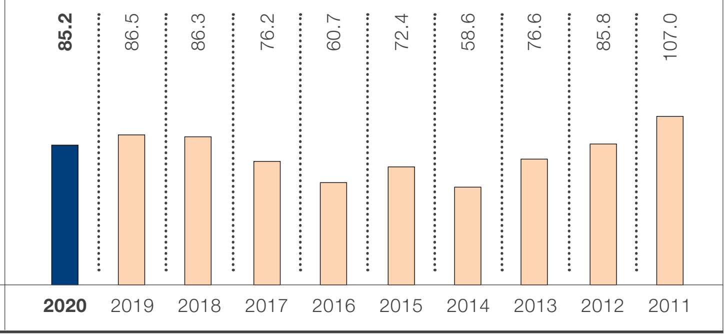


MANAGEMENT DISCUSSION & ANALYSIS

BASIC EARNINGS PER SHARE
(sen)

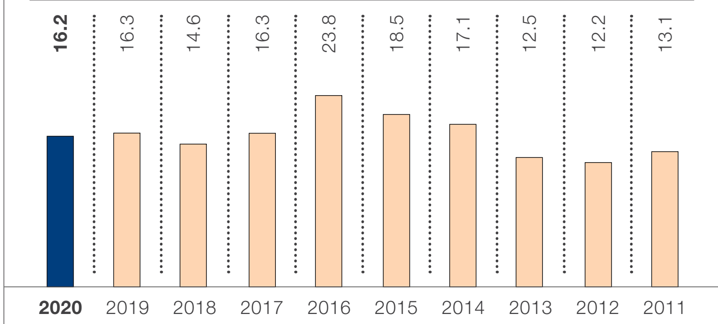


DIVIDEND PAYOUT RATIO
(%)

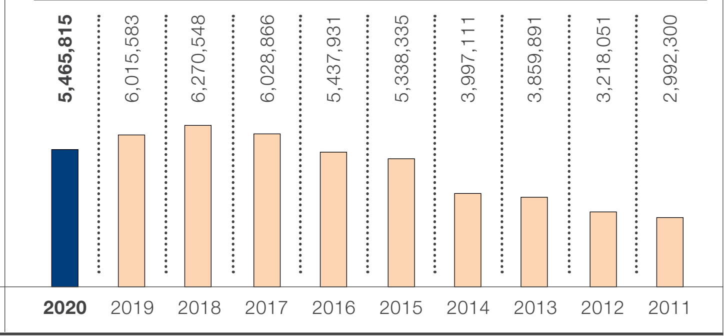


The Basic Earnings Per Ordinary Share from 2011 to 2017 were restated to take into consideration the effect of bonus issues during the years 2015 and 2018.

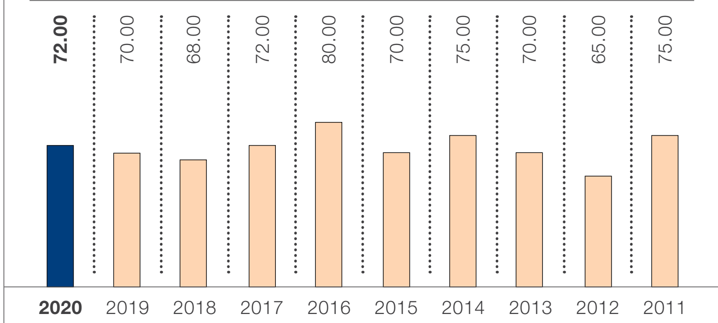
RETURN ON EQUITY
(%)



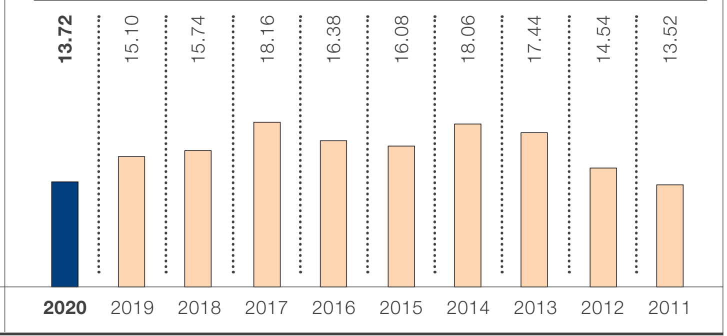
MARKET CAPITALISATION
(RM'000)



NET DIVIDEND PER SHARE
(sen)



SHARE PRICE
(RM)



MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS - SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

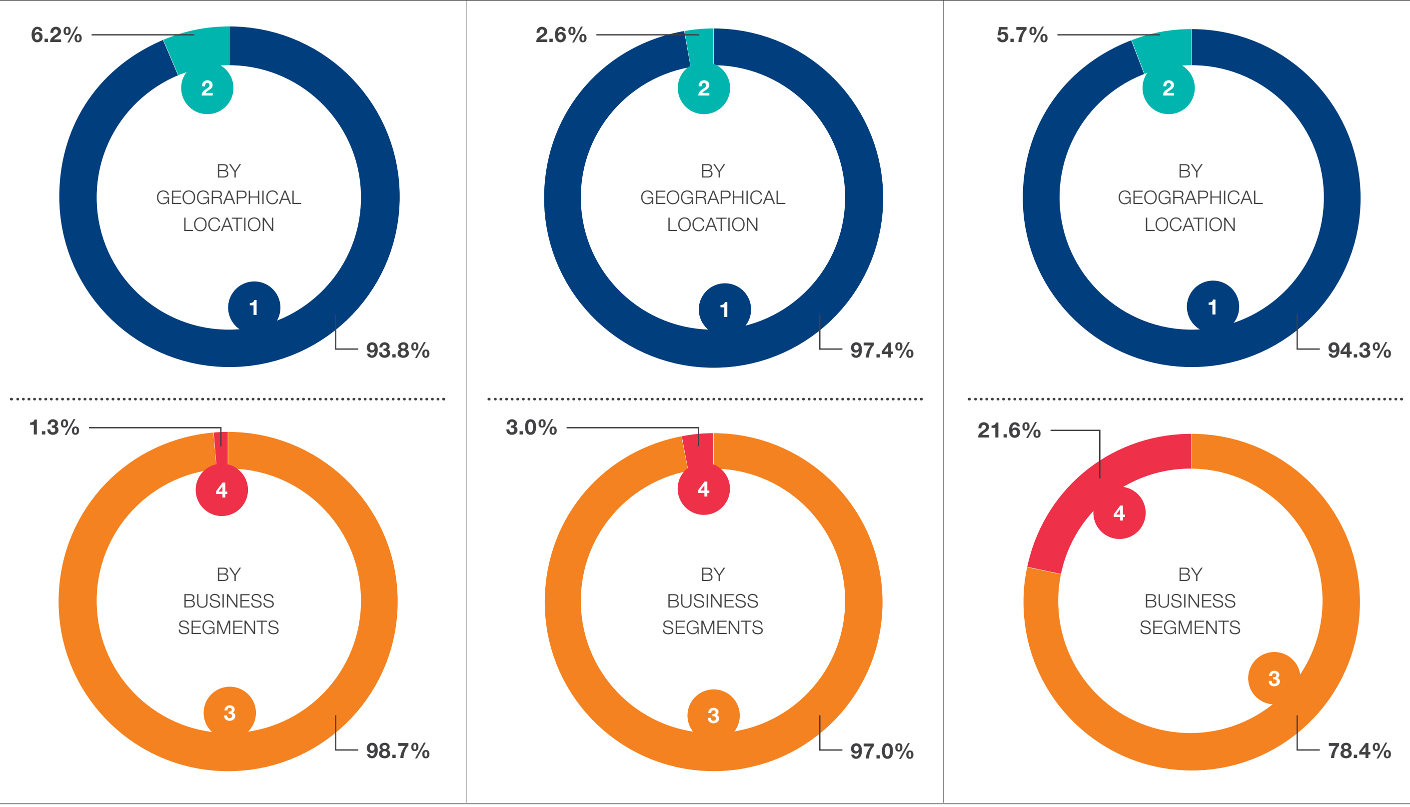
2020 (%)	TOTAL ASSETS	2019 (%)
0.1	PLANT AND EQUIPMENT	0.2
0.9	RIGHT-OF-USE ASSETS	1.2
0.6	INVESTMENT PROPERTIES	0.7
0.2	INTANGIBLE ASSETS	0.3
0.8	INVESTMENT IN AN ASSOCIATED COMPANY	0.8
41.0	OTHER INVESTMENTS	31.2
22.6	REINSURANCE ASSETS	18.1
25.9	LOANS AND RECEIVABLES, EXCLUDING INSURANCE RECEIVABLES	38.0
3.6	INSURANCE RECEIVABLES	3.7
1.0	DEFERRED ACQUISITION COSTS	1.1
-	CURRENT TAX ASSETS	0.1
3.3	CASH AND CASH EQUIVALENTS	4.6

2020 (%)	TOTAL EQUITY & LIABILITIES	2019 (%)
8.8	SHARE CAPITAL	9.9
37.1	RESERVES	38.9
48.0	INSURANCE CONTRACT LIABILITIES	44.7
2.2	INSURANCE PAYABLES	2.3
3.3	DEFERRED TAX LIABILITIES, LEASE LIABILITIES AND OTHER PAYABLES	3.7
0.6	CURRENT TAX PAYABLES	0.5

MANAGEMENT DISCUSSION & ANALYSIS

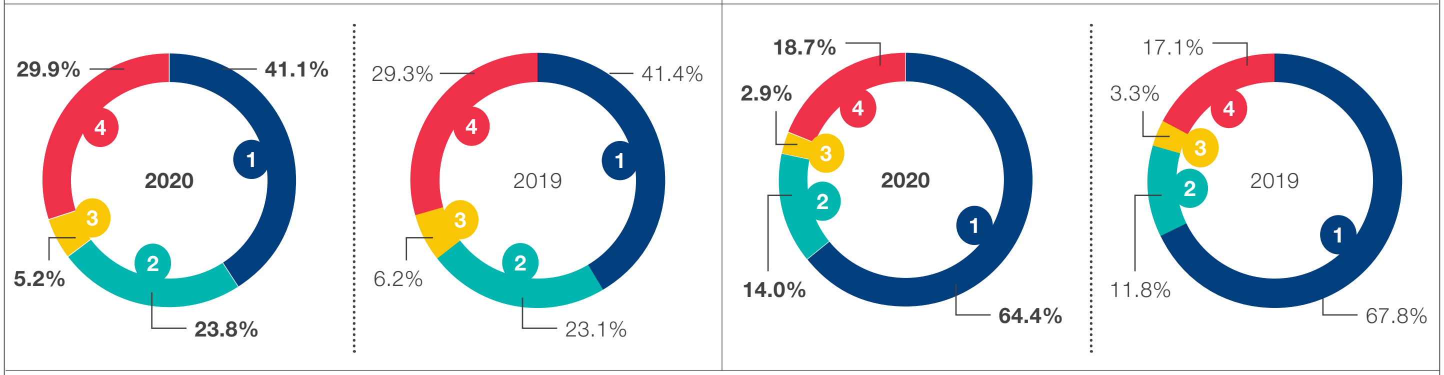
FINANCIAL HIGHLIGHTS - SEGMENTAL ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2020

OPERATING REVENUE | PROFIT BEFORE TAX | TOTAL ASSETS



1 MALAYSIA 2 OUTSIDE MALAYSIA 3 GENERAL INSURANCE 4 INVESTMENT HOLDING

GROSS WRITTEN PREMIUMS BY CLASS | UNDERWRITING SURPLUS BEFORE MANAGEMENT EXPENSES BY CLASS



1 FIRE 2 MOTOR 3 MARINE, AVIATION & TRANSIT 4 MISCELLANEOUS

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS - GROUP QUARTERLY PERFORMANCE

	2020				
RM'000	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year 2020**
Financial Performance					
Operating revenue	**403,908**	**399,545**	**395,755**	**422,384**	**1,621,592**
Operating profit	**96,894**	**100,215**	**111,980**	**123,319**	**432,408**
Profit before tax	**97,916**	**100,297**	**112,085**	**123,267**	**433,565**
Profit attributable to owners of the Company	**77,917**	**77,401**	**86,178**	**95,232**	**336,728**
Earnings per share (sen)*	**19.56**	**19.43**	**21.63**	**23.90**	**84.52**
Net dividends per share (sen)	**-**	**28.00**	**-**	**44.00**	**72.00**

	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

* *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.*

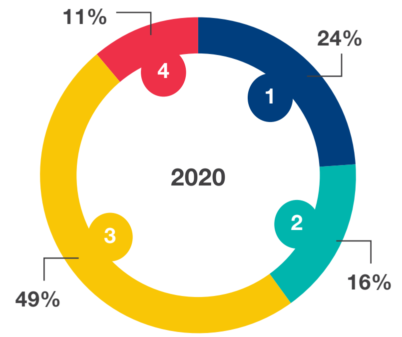
MANAGEMENT DISCUSSION & ANALYSIS

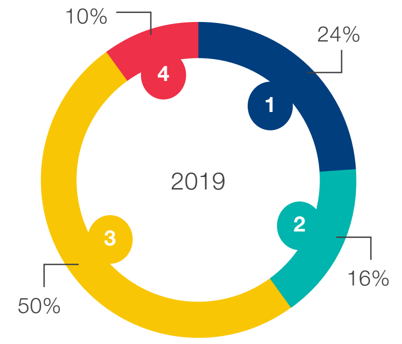
FINANCIAL HIGHLIGHTS - STATEMENT OF VALUE ADDED

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	2020 RM'000	2019 RM'000
Net earned premiums	**1,015,763**	1,011,509
Other income	**211,721**	217,463
Net claims incurred	**(418,839)**	(444,518)
Other expenses excluding staff costs, depreciation and amortisation	**(226,340)**	(223,773)
Finance cost	**(1,830)**	(1,446)
Share of profit after tax of equity accounted associated company	**2,987**	1,776
Value added available for distribution	**583,462**	561,011

Distribution of Value Added	2020 RM'000	2019 RM'000
To employees:		
Staff costs	**137,151**	134,330
To the Government:		
Tax expense	**96,837**	92,358
To providers of capital:		
Dividends paid to shareholders	**286,836**	278,868
To reinvest in the Group:		
Depreciation and amortisation	**12,746**	11,962
Retained earnings	**49,892**	43,493
Total distributed	**583,462**	561,011





1 EMPLOYEES
2 GOVERNMENT
3 PROVIDERS OF CAPITAL
4 REINVESTMENT IN THE GROUP

MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL MANAGEMENT

The management of our capital holdings is governed by the LPI Group's Capital Management Plan ("CMP") which is in turn guided by our business strategy and existing regulatory requirements. The CMP outlines a number of measures and policies for the administration of capital, including:

- A comprehensive listing of capital events that would be triggered by specific developments or should our total capital reach prescribed levels. The CMP also outlines the measures that must be taken to remedy our capital adequacy should a capital event be triggered.
- An assessment of risks and threats to the Group during such a capital event and outlines appropriate operational responses with intensities proportionate to the specifics of the capital event and the extent of the capital breach, if any.

The CMP is therefore a policy guideline that aims to restore or maintain normalised levels of capital that is sufficient for the continuity of our business. As a financial institution, the management of our capital is a vital component of our sustainability strategy which ensures that we have sufficient resources to meet all our financial obligations and that we are not in breach of regulatory requirements.

As at 31 December 2020, the Group's Capital Adequacy Ratio ("CAR") exceeded the supervisory CAR of 130% set by Bank Negara Malaysia ("BNM") and the Group's Individual Target Capital Level. The health of our CAR has been further substantiated by international rating agency A.M. Best Asia-Pacific Limited ("A.M. Best"), a credit rating agency focusing on the insurance industry. Based on Lonpac's balance sheet strength, A.M. Best reaffirmed its Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of "a" for Lonpac with a stable outlook for both ratings.

The ratings are backed by Lonpac's strong operating performance, neutral business profile and appropriate enterprise risk management. The ratings agency further noted that Lonpac is well-positioned to overcome the challenges posed by the Covid-19 pandemic as well as the continued phased liberalisation of the motor and fire businesses in Malaysia because of its risk pricing and selection capabilities as well as its strong distribution channels and product design.[1]

Stress Testing

LPI Group conducts regular stress testing as guided by BNM's Policy Document on Stress Testing. The aim of this exercise is to identify threats stemming from adverse financial or capital events and takes into account the current business environment and the Group's risk profile, as well as the Group's existing business activities. Our stress testing exercise is designed to be comprehensive, rigorous, and predictive so as to prepare our staff and our processes for worst-case scenarios.

Senior Management from the Group and the Board of Directors ("the Board") actively participate in the stress test and are also responsible for reviewing the parameters and results of the exercise. This exercise also takes into consideration new developments such as the Covid-19 and works them into existing parameters. The results of the review are used to identify and manage existing and potential risks to the Group's capital base and financial health, and new methodologies developed to mitigate the impact of these risk items.

The stress testing exercise conducted in 2020 concluded that the Group has sufficient capital to support its business requirements and to buffer against potential underwriting volatility. While the Covid-19 outbreak and proposed phased liberalisation of the general insurance business continue to represent risk items for the Group, the Board and Management remain confident that there are sufficient resources available to manage the impact of these risks.

Dividend Policy

LPI has paid dividends to our shareholders annually since listing in 1993. The Group's practice of regular and healthy dividend payout is consistent with our capital management strategy, which factors our dividend obligations into its parameters. We continued to do so in 2020 despite the Covid-19 pandemic, and expects to continue doing so going forward barring any drastic or unexpected changes in the Group's financial and operating environment.

[1] *This is a voluntary submission and Lonpac is one of a handful of Malaysian insurers who follows this practice regularly.*

For more information about Lonpac's rating by A.M. Best, please visit http://news.ambest.com/PressContent.aspx?altsrc=2&refnum=30063

MANAGEMENT DISCUSSION & ANALYSIS

YEAR IN REVIEW

The Group put in a strong shift in 2020 despite the challenging conditions created by the Covid-19 pandemic, greater volatility in the global financial markets and continuing pressures from the ongoing liberalisation of the general insurance sector. Our resilient financial showing was due mainly to the strong technical results from our insurance business, which saw lower claims made due to the partial suspension of economic activities in Malaysia. While this is in line with the general insurance industry as a whole, we are pleased to note that we are one of the few insurers in Malaysia who continued to grow our GWP income during the year despite market conditions.

The combination of the lower claims and continued resilience in GWP saw a substantial improvement of our combined ratio, which moderated to 66.6% from 69.8% in 2019 and against the industry average of 89.4%.[2] Likewise, Lonpac's total GWP growth for the year of 1.7% outperformed the industry's average decline of 0.9%[2] due mainly to our portfolio mix which has a strong focus on the fire and motor classes of business.

Both classes of business showed positive growth during the year, increasing 0.9% and 4.6% respectively, and together representing 64.9% of total GWP. Marine, aviation & transit insurance fell significantly as the logistics business was severely impacted by pandemic lockdowns with the portfolio contracting 13.9% during the year. Our marine, aviation & transit class of business contributed 5.2% to GWP as compared against 6.2% year-on-year.

Class	2020 RM'000	2019 RM'000	Variance RM'000	Variance %	Contribution 2020 %
Fire	**636,765**	631,107	5,658	0.9	41.1
Motor	**368,569**	352,319	16,250	4.6	23.8
Marine, aviation & transit	**81,468**	94,618	(13,150)	(13.9)	5.2
Miscellaneous	**463,823**	446,324	17,499	3.9	29.9
Total	**1,550,625**	1,524,368	26,257	1.7	100.0

This is in contrast to some of our competitors who have higher exposure to classes of business that are more closely correlated with the increase or decrease in economic activity.

Meanwhile, the Group's profit before tax ("PBT") increased by 4.6% with contributions from our general insurance operations increasing to RM420.6 million from RM387.3 million a year ago. The year also saw contributions from our investment holding operations decreased 52.6%, accounting for RM13.0 million of PBT due to the lower interest-rate environment and overall lower dividend yields.

As at 31 December 2020, the Group's total assets which include cash in-hand, balances and deposits with banks totalled RM4,519.7 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. There were no significant changes to the capital structure and resources of the Group in 2020.

Overall, the Group managed to maintain its financial performance at comparable levels to 2019 despite the unprecedented challenges and difficulties of the year under review. From another perspective, this has proven to be an important test for the sustainability of our enterprise, as well as our organisation's ability to adapt and adjust to unexpected changes in the operating environment. Our performance against the industry average is also an endorsement of our overall underwriting philosophy and prudential approach to risk management and the overall long-term viability of our business.

[2] *Industry averages as reported in the ISM Statistical Bulletin - Market Performance, General Insurance & General Takaful for the period January to September 2020.*

MANAGEMENT DISCUSSION & ANALYSIS

DELIVERING SUSTAINABLE VALUE: GENERAL INSURANCE PRODUCTS AND SERVICES

Lonpac has developed a strong and loyal customer base over the past several decades due to the quality of our products and services. Our approach is based on finely balancing the delivery of innovative products and services that are relevant to our customers on the one hand and being selective and prudential in the risks that we choose to underwrite on the other. The end result is a business model which rewards our stakeholders without sacrificing sustainability over the long-term.

At the heart of our success is the quality of our underwriting capabilities as well as our ability to process customer claims in an efficient and satisfactory manner. Our other competitive advantage is our extensive distribution channels that have been steadily growing more sophisticated and comprehensive. The following sections provide an overview of the Group's main roles and functions that contribute to our value creation processes.

Underwriting

LPI Group's Underwriting Division is responsible for enabling the primary business activity of underwriting risks. Specifically, the role of the Division in our value creation process is as follows:

- Ensure risks accepted adhere to the underwriting guidelines set to achieve a healthy loss ratio.
- Set proper underwriting terms and conditions on new products together with the Product Development team.
- Support business units on service deliverables such as prompt and accurate policy deliveries and the competitiveness of insurance terms without compromising on the quality of risk assessment.
- Ensure treaty reinsurance is duly placed and completed by December each year giving our business units the capacity to conduct and compete for new business.

In addition, the Underwriting Division provides technical training to staff and agents, and works with other business units to ensure that the front- and back-ends of our underwriting processing system are aligned with guidelines and underwriting objectives. It also develops specialised liability products for specific customer segments which draws on specific expertise and knowledge thereby increasing the breadth and scope of our risks underwritten and directly increase business volume.

Our underwriting ability is a key differentiating factor setting us apart from our competitors as it directly contributes to the Group's financial performance and also forms the core of all our insurance products and services. It is therefore critical that we continue to improve our underwriting capabilities and we do so by measuring the following metrics:

METRICS	IMPROVEMENTS
1 TIMELY AND EFFECTIVE SERVICE LEVELS	• Implement electronic policies ("ePolicy") for most classes of insurance. • Ensure customer service times are in line with agreed-upon turnaround time.
2 ENSURING EFFICIENT AND ACCURATE SUPPORT FOR OTHER BUSINESS UNITS	• Training and education programmes for underwriting staff. • Jointly attend customer visitations with other business units.
3 ENSURING ACCURACY OF POLICY DOCUMENTATION	• Continually review and assess the language of policy terms to improve clarity and minimise claim dispute, e.g. revise Health and Surgical's proposal form in determining policyholders' history of illness. • Standardise policy documentation.
4 DEVELOPING GREATER UNDERWRITING CAPABILITIES TO ENHANCE CONTRIBUTIONS TO THE GROUP	• Continuous review of underwriting results on monthly basis particularly classes of business with poor returns. • Improve the risks which yield poor results in terms of high loss ratios. • Launch of new products and ensure existing products are appropriately priced in terms of their risk.

MANAGEMENT DISCUSSION & ANALYSIS

Challenges During The Year

As a significant part of the underwriting process requires engagement with stakeholders, the restrictions on movement due to the Covid-19 pandemic in 2020 significantly affected our day-to-day activities. For example, it is standard protocol for surveyors to visit customers and physically inspect the assets to be insured in order for our team to appropriately underwrite the risk. However, the Movement Control Order ("MCO") effectively prevented such inspections from taking place. In response, our team developed remote risk survey guidelines, e.g. asset inspection via digital images, so that they adhere to the Government's MCO guidelines and also reducing the surveyor's risk of exposure to the virus.

To further mitigate the risk of exposure of our employees, agents and customers to the virus, we have accelerated our digital transformation and implemented the delivery of our policy documentation in electronic form for some segments of our business. This cuts out the need for physical meetings and deliveries of documents which in turn minimises the potential for viral contagion. Meanwhile, our team is staying connected via digital tools such as Microsoft Teams to further cut down physical face-to-face engagement.

Additionally, the global nature of the pandemic also had ramifications for the global reinsurance market. To ensure that our underwriting capacity is not affected by negative developments affecting our reinsurers and business partners, our Underwriting Division has been monitoring closely global financial developments particularly, as they affect the credit quality and financial conditions of our partners. As we are presently still working in a highly volatile and uncertain global financial environment, we are aware that operating conditions can change drastically and without warning.

GROUP'S NET CLAIMS INCURRED RATIO

41.2% from 43.9% the previous year

Key Achievements

During the year, the Underwriting Division managed to further improve the loss ratio for the Health and Surgical ("H&S") class of business which has been a vulnerable component of our business portfolio over the past few years. This was helped by new initiatives designed to enhance H&S proposal forms as well as implement a rating mechanism for the class of business. We are confident that H&S will form a vital part of our business going forward.

The Underwriting Division also launched two new Motor products in 2020: Motor ezSecure and Private Car Secure Plus. The launch of these products is in line with our overall goal of building sustainability into our product and service offerings for customers as these products have been developed with specific customer segments in mind. Tailoring our products to specific customer segments allows us to add relevant unique features and customisations and thereby create additional value. In addition, the Motor ezSecure is the first motor product that we have made available online, which is an important step forward for our digital business. Although slower vehicle sales during the year had affected the take-up rate, we believe that this will improve in 2021 with the accompanying recovery in economic activity.

The main financial benchmark for the Underwriting Division is the Group's Net Claims Incurred Ratio, which improved to 41.2% from 43.9% the previous year. As stated elsewhere, this is due mainly to a moderation of economic activity within the country which has resulted in lower claims being made. In view of the uncertainties of the current operating context, the Division will focus on maintaining the Group's Net Claims Incurred Ratio at 2020 levels and to further develop its electronic documentation capabilities.

Claims

The claims process is one of the most critical components of the insurance process as it takes place when a policyholder experiences loss and is therefore placed in a vulnerable position. From this perspective, the claims process can be viewed as one of the most important parts of the insurance value chain that has a direct impact on the relationship between our policyholders and us.

The role of the Claims Department is to provide a personalised claims service and ensure a positive claims experience in the minds of our policyholders regardless of the amount involved. Our mission is to consistently deliver high quality claims services to our policyholders. When

MANAGEMENT DISCUSSION & ANALYSIS

Continuous updates to scoring algorithms are essential in accurately detecting fraud, as is adequate training for our staff and stakeholders. Our processes are supported by checks and balances throughout the claims process even as we retain sufficient agility to adapt quickly to changing market conditions. Recent developments in fraud detection tools such as data miners, more sophisticated rules engines and predictive modelers have already shown to be successful in reducing the cost of fraudulent claims.

policyholders file their claims, the process should be hassle-free and straightforward. Claimants are informed about the steps involved in the claims process as well as the expected timeframe for its completion.

We address a host of factors in delivering a comprehensive response to our policyholders' expectations in order to maximise customer satisfaction and encourage customer retention. To that end, we are continuously optimising the accessibility and facilities available to our customers throughout the claims process to respectively offer them greater visibility of the claims process and support where necessary. We maintain several channels of communication with our customers and make it a policy to respond promptly to customers' queries. In doing so, we grant reassurance that their legitimate claims will be covered by their policies and honoured by us.

In setting ourselves apart from competitors, Lonpac's Claims Department also employs cutting-edge technology such as Business Intelligence and analytics to interpret and use meaningful data patterns to improve business performance. Through the dataset developed, our team gains insight into customer patterns, claims issues and potential risks, which then allows us to construct remedial solutions and drive improvements in the claims process. The employment of analytics in the claims process thereby helps us anticipate customer needs and also identify risk areas that may require further scrutiny on our part.

Managing claims in the current business climate is highly challenging as it entails multiple processes and complex systems. To overcome these challenges, we leverage on data to obtain actionable information about what drives losses and expenses. We have in place adequate processes and supporting infrastructure needed to take advantage of these insights and to efficiently utilise our resources to settle legitimate claims in a timely manner.

Another issue dealt with by our Claims Department is the investigation and detection of the ever-present threat of fraudulent claims, which have recently been on the rise. Fraudulent claims have a negative impact on our business by affecting our risk pricing model and also by depleting our financial capital. In worst case scenarios, a large enough fraudulent claim may even have a systemic impact on the insurance marketplace at large. To combat fraud, we utilise data analytics and data mining technologies to analyse past cases of fraud and apply our findings to new suspected cases.

Continuous updates to scoring algorithms are essential in accurately detecting fraud, as is adequate training for our staff and stakeholders. Our processes are supported by checks and balances throughout the claims process even as we retain sufficient agility to adapt quickly to changing market conditions. Recent developments in fraud detection tools such as data miners, more sophisticated rules engines and predictive modelers have already shown to be successful in reducing the cost of fraudulent claims.

This is in turn supported by Insurance Services Malaysia Berhad's ("ISM") Fraud Intelligence System ("FIS"), which continuously evaluates the threat of potential fraud every time data is added or changed in the claims database. Employing these tools have helped us more accurately identify claims with the highest potential for fraud, even as soon as the claim has been filed. At the same time, advanced analytics and using the right law firms are helping us manage claims involving court litigation matters. Performance-based cost management, combined with predictive modelling and litigation management has helped reduce the total costs of claims, while at the same time improving the cost-effectiveness and quality of legal representation.

MANAGEMENT DISCUSSION & ANALYSIS

Challenges During The Year

The outbreak of the Covid-19 pandemic changed the way we conducted our business in 2020. In adapting to the New Normal, we incorporated the necessary adjustments and preparations into our business activities to ensure the continuity of claims services. As a result of these preparations, we remained accessible throughout the duration of the MCO and provided continuous support on essential claims service to our clients. Some of the measures we took include:

- Coordinating with policyholders and business associates to enhance the safety and well-being of our stakeholders
- Work-from-home policy for claims staff who were assigned secure VPN access to Lonpac's digital network
- Employment of digital video technology by loss adjusters to conduct surveys and thereby reducing on-site visits

Notwithstanding the heavier-than-usual traffic on our network because of the remote connectivity, we have determined that remote working is sufficiently viable to provide a high claims service standard to our policyholders.

From Lonpac's perspective, the impact of Covid-19 pandemic on claims has been manageable. Nevertheless, several lines of business such as the Trade Credit and Bond businesses have experienced more significant setbacks. Personal insurance claims are expected to moderate until lockdown restrictions are lifted because people have reduced their outdoor activities that trigger such claims. The drop in car usage will also mean fewer motor accidents although the industry as a whole has reported a high payout of motor claims in the first half of 2020.

Achievements

The key measure of the productivity of the Claims Department is the number of claims settled per staff during the year. Our productivity performance levels had decreased 12.4% to 1,344 claims settled per claims staff as compared to 1,534 claims settled per claims staff recorded in 2019. This was due to a decrease in the number of total claims registered as a result of the suspension of economic activity in the country. Total claims registered decreased 19.5% to 55,036 claims from 68,336 claims the previous year. The breakdown of the claims statistics are as follows:

	No. of claims registered		No. of claims settled	
Class	**2020**	**2019**	**2020**	**2019**
Fire	**3,637**	3,904	**1,760**	1,880
Marine	**797**	822	**460**	469
Personal Accident	**2,286**	3,819	**1,403**	2,703
Miscellaneous	**11,782**	15,071	**9,083**	7,593
Health	**9,871**	12,822	**8,155**	10,769
Workmen's Compensation	**499**	1,110	**96**	450
Motor	**24,117**	28,381	**15,820**	15,844
Liability	**973**	1,252	**216**	288
Bond	**149**	161	**98**	119
Aviation	**0**	1	**0**	0
Engineering	**925**	993	**310**	291
Total	**55,036**	68,336	**37,401**	40,406

MANAGEMENT DISCUSSION & ANALYSIS

BUILDING SUSTAINABLE PARTNERSHIPS

One of the main contributors to our success is the long-term relationships that we have built with business partners. These include other insurance firms which support our large-scale underwriting projects, as well as institutions that function as distribution channels for our products. We also regard our agents as important business partners who play an important role acting as our representative to customers.

Our Agents

Lonpac's network of agents continue to be the single largest distribution channel for our insurance products, and contributed GWP totalling RM687.1 million in 2020, from RM662.8 million a year ago. The improved performance within this highly challenging environment is laudable and reflective of the professionalism and dedication of our agents. It further serves to reinforce the importance of maintaining a healthy network of agents to secure the continued sustainability of our business.

Acting as our representatives in their dealings with customers, we rely on agents to maintain our competitiveness in the general insurance market by communicating our value proposition to the general public. Lonpac's network of agents is managed by our Agency Department which is guided by three key priorities:

- Building and maintaining a core group of dedicated and technically sound marketing, sales and support staff to manage the insurance business within this distribution channel
- Developing and maintaining a structured agent training and programme
- Developing and maintaining a stable and reliable Information Technology ("IT") and digital system to enhance our agents' efficiency and productivity and to support their daily sales and operation activities

In practice, the Agency Department is responsible for recruiting, training, and retaining agents. The latter is an important priority for us as experienced agents are familiar with customer needs and can effectively match them with the appropriate insurance products. Given the intensifying level of competition owing to the liberalisation of the general insurance industry, Lonpac pays considerable attention to incentive programmes to better motivate agent performance and retention.

In 2020, we recruited 352 new agents bringing our agency strength to 3,012 agents. We continue to focus our recruitment strategies on bringing in technologically savvy agents as we are progressively accelerating our digital transformation programme. This is especially important in the wake of the Covid-19 pandemic which saw us fundamentally transform the way we use technology in our relationships with our agents.

For instance, in 2020, we enhanced our E-system to facilitate online business transactions by our agents so as to meet the stipulations of the MCO and minimise potential exposure to Covid-19. We also set up a digitalisation allowance programme for qualified agents to help offset their purchases of digital infrastructure and assets. We expect to see increased sales from our digital channels with the acceleration of our digital transformation, and our agents will play a key role in supporting this growth.

MANAGEMENT DISCUSSION & ANALYSIS

Our Financial Institution Partners

Our financial institution ("FI") partners are important distribution channels for us, helping us reach out to new prospects and customers via the bancassurance channel. We work primarily with Public Bank Berhad ("PBB") to develop and offer insurance solutions for their clients, particularly in the areas of fire coverage for residential, commercial, and industrial properties, and also to develop customised solutions to meet customers' needs.

We also actively engage with our FI partners to explore new potential collaborations and cross-sell non-property related products to their existing customer base. By segmenting their markets, we identify areas that may be receptive to differentiated products and work together with the FI to market to those customers. GWP contributions from FI Department totalled RM370.0 million for the financial year under review from RM375.0 million in 2019. Income from the FI segment accounted for 23.9% of total GWP.

We are pleased to note that the FI portfolio remained relatively stable in 2020 due mainly to the type of insurance cover provided, namely fire coverage for properties. But as with the rest of Lonpac, the FI Department will be increasing IT usage in view of the existing operating environment which has accelerated the need for digital delivery capabilities. When completed, the FI Department will implement end-to-end electronic delivery of all documentation, from the proposal stage to the issuance of policies.

Our Brokers

Lonpac's Broking Department works closely with our brokers to provide them with competitive and comprehensive lead terms for large underwriting projects. Our aim is to build a relationship of trust and partnership with them in order to become their first-choice underwriter while at the same time maintaining our prudent risk selection, risk underwriting and risk management. The Broking Department is at the forefront in terms of providing terms for a multitude of risks be it operational or constructional. We have in the past provided terms for projects ranging from mixed property developments comprising residential, commercial and hotel projects, to infrastructure and industrialised risks such as steel mills, oleo chemical risks and independent power plants.

To this end, we continue to be actively involved in the Large and Specialised Risks Scheme ("LSR Scheme"), which facilitates the provision of the most favourable cover at internationally competitive terms for Malaysian risk owners.

We are an active participant within the LSR Scheme, and work closely with both international and local brokers whether on a direct or co-insurance basis to provide lead terms. The Department also plays a significant role in our in-house product development processes, and functions as a liaison between our development team and brokers.

As with the rest of the Group, the Broking Department will be moving towards a digital, client centric and API-based platform, partly in response to the disruption posed by the Covid-19 pandemic in 2020. There are also plans to prioritise the Small- and Medium-Sized Industry and personal lines of business by developing products tailored specifically for them, as well as plan to digitalise these product offerings. Our goal is to convince our broker partners to view us as a 'one-stop insurance centre' and a household brand name for personalised lifestyle products.

MANAGEMENT DISCUSSION & ANALYSIS

Our Global Partners

The role of the Global Partnership Department is to work together with our network of international partners to develop specialised global multinational programmes for the market in Malaysia. We leverage on our presence in both Singapore and Cambodia to expand our regional reach and also to attract new global partnerships and build up our stable of insurers. Our relationship with our global partners is collaborative 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 of the general insurance space, to develop new products for our global partners and help them win greater market share in the country. The Department is made up of a dedicated and technically sound support team, and governed by strict service guidelines to provide the best possible service to our global partners.

Although local insurance market was disrupted by the Covid-19 pandemic in 2020, the Global Partnership Department will continue to focus on our areas of specialisation and strive to enhance business relationship with its partners to generate and grow sufficient business activities, thus contributing to the overall success of the Company.

DEVELOPING OUR DIGITAL CAPABILITIES

The Group has long recognised the need to integrate and leverage on technology in our operations, and has regularly invested in our infrastructure to make the best use of technology. However, the advancements of new technology in recent years propelled us to increase that commitment with a plan to transform ourselves into an insurance company with cutting-edge digital capabilities. The need for this transformation was further emphasised by the events of the year under review where businesses and companies all over accelerated their digital offerings to cope with the restrictions imposed by the Covid-19 pandemic.

For instance, in response to the Government's MCO restrictions, our employees were deployed to work remotely from home. As a result of this move, we saw the rapid adoption of collaboration solutions such as digital meetings and digital training, which helped maintain lines of communication and opened up new digital channels of support for our partners and intermediaries. While Lonpac's IT infrastructure held up well during this time, it also revealed some shortcomings that needed to be addressed quickly. In response, we enhanced digital channels, invested in mobile devices and deployed more sophisticated digital tools during the year to cope with the shortcomings. We also bolstered our cybersecurity to manage the higher traffic volumes on our network.

Lonpac regularly introduces new capabilities and innovations into its systems to support evolving business requirements and ensure that we are operating at the highest levels of efficiency. While some of these enhancements are driven by market expectations, others are planned by our internal strategic objectives. The following are some of the enhancements introduced in 2020.

Risk Management in Technology

BNM has taken the lead in defining Risk Management in Technology ("RMiT") to lay down standards for the development of necessary frameworks, policies and security structures by financial institutions. In response to this call to action, Lonpac has put in substantial effort to comply with the regulatory guidelines including adopting frameworks, assessment evaluation, introducing new technology innovations, benchmarking of internal practices and standards against the RMiT's requirements and closing gaps in our ecosystem. These initiatives are ongoing.

MANAGEMENT DISCUSSION & ANALYSIS

Screening for Terrorist Activity

Our systems were upgraded with a terrorist sanction screening system to identify individuals declared to be involved in terrorism in line with Malaysian law. These laws prohibit the writing of insurance and issuance of claims pay-outs for individuals identified to reduce instances of money laundering and the financing of terrorism. Through the upgrade, Lonpac's systems now screen individuals against records of:

- The Ministry of Home Affairs, Malaysia as Specified Entity under Section 66B(1) of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Malaysia);
- The United Nations Security Council Consolidated List; and
- The Monetary Authority of Singapore Alert List and Terrorists and Terrorist Entities listed in the First Schedule of the Terrorism (Suppression of Financing) Act of Singapore.

Implementation of MFRS Standards

As part of the Group's implementation programme of the Malaysian Financial Reporting Standards 17 (MFRS 17), new reports were developed in the Business Intelligence ("BI") system in October 2020. The new standard, which will become effective in January 2023, represents the most significant change to the insurance accounting and financial reporting standards in recent years as it requires revenue and profits be more distinctly recognised over the coverage period through the application of more granular accounting.

Enhancing our Online Motor Services

As per market expectations, we enhanced our Motor class of business in July 2020 to allow for premium discounts on insurance for newly purchased motorcycles. This was further developed to display the vehicle's market value according to ISM. Through this enhancement, customers can be kept better informed of the value of their vehicles and make better decisions in purchasing insurance. We also included an option to add-on "Betterment Buyback" which would entitle them to a waiver of betterment fees in claims involving aged vehicles.

Development of New Products and Systems

We extended the Fire Property Secure Plus for intermediaries' issuance in February 2020. As a property all-risk product, it covers the policyholder against material damage and property loss caused by acts of terrorism or sabotage. Optional coverages are also available for consequential loss, machinery breakdown, fidelity guarantee, plate glass, money in premise and transit, employer's liability and public liability. We also made the Workmen Compensation Annual Policy available on our intermediaries' portal. The policy covers compensations for injuries by accident or diseases to workmen arising from work.

We also enhanced our Business Process Management ("BPM") system by introducing the Fire class of insurance to internal users. As a workflow system, it streamlines processes electronically from quotation to underwriting, reinsurance, payment and policy issuance. With BPM, a greater number of product ratings could be auto-defaulted after building determining factors into the rules engine.

Online Delivery of Motor Policies for Bancassurance Customers

As part of our environmental conservation initiatives as well as systems enhancement, we upgraded our policies and systems to send PBB's Motor customers electronic copies of their policy documents via SMS in September 2020. This will be further enhanced to allow for policy deliveries via email to PBB's Fire customers. The system addition has also been tailored to be extendable to other intermediaries and classes of insurance.

Third-Party Integration

To support our digital business team, we initiated a number of third-party integrations to streamline access and enhance the efficiency of our distribution channels. These include:

- Integration of the Personal Accident ("PA") class of business on our online sales portal in January 2020: With this addition, the general public can now purchase Travel ezSecure, a travel PA insurance from our website. The integration facilitates the entire process from end-to-end and the policy and receipt are issued online to the policyholder.
- Integration of the Motor Class of business on our online sales portal: With this addition, we are now able to offer online supporting services for our Motor ezSecure product that previously needed to be done in person. This includes obtaining a real-time quotation, checks on insurability, obtaining vehicle information, no claim discounts, basic underwriting and the transmission of the cover note to the Road Transport Department.

Other integrations with third parties are ongoing.

MANAGEMENT DISCUSSION & ANALYSIS

Bandwidth Upgrade

Our IT infrastructure and network bandwidth have been constantly reviewed and upgraded to support the growth of multiple business applications needs. We upgraded the Wide Area Network ("WAN") of our branch offices in 2020 to further improve the network performance and reliability between them and Head Office. The higher internet bandwidth was also implemented to enhance user experience and customer satisfaction due to growing business requirements.

Document Management System Upgrade

Our Document Management System ("DMS") was introduced in 2004 to promote document management efficiency. The DMS was recently upgraded to provide a better and more reliable system. This upgrade improves system performance and stability, and provides better support for business growth in meeting changing business needs.

AWARDS AND RECOGNITION

THE BRANDLAUREATE THE WORLD'S FIRST BESTBRANDS E-BRANDING AWARD 2020

FOR MOST VALUABLE BRAND IN GENERAL INSURANCE

by the World Brands Foundation

Lonpac received The BrandLaureate's Most Valuable Brand in General Insurance in its inaugural digital awards ceremony, 'The World's First BestBrands e-Branding Award 2020'. The award recognises Lonpac's contributions in the General Insurance industry, particularly its leadership strength, commitment and tenacity in building on the fundamentals of sustainability to overcome the current headwinds. The award is also a reflection of Lonpac's continued success in creating sustainable value for its stakeholders.

THE 2019 ASEAN CORPORATE GOVERNANCE SCORECARD AWARD

ASEAN ASSET CLASS PLCS (MALAYSIA)

by the ASEAN Capital Markets Forum

LPI won the 2019 ASEAN Corporate Governance Scorecard Award in the ASEAN Asset Class PLCs (Malaysia) category. The award is presented to companies that scored at least 97.5 points or 75% of the maximum attainable score in the 2019 Corporate Governance Scorecard assessment. The Scorecard assesses a company's corporate governance practices, and includes considerations such as the protection of shareholders' rights, the exercise of ownership rights, etc. The award received this year is an endorsement of LPI's corporate governance track record and continued ability to create value for its stakeholders.

BEST TAXPAYER AWARD 2019

by the Inland Revenue Board

Lonpac received the Best Taxpayer 2019 award from the Inland Revenue Board in recognition of the Company's excellent track record in its tax remittance. Specifically, the award recognises Lonpac's full compliance with tax law, the significance of its tax contributions and for avoiding any legal disputes arising from tax matters. Lonpac was selected for the award upon the conclusion of a thorough assessment of its tax performance.

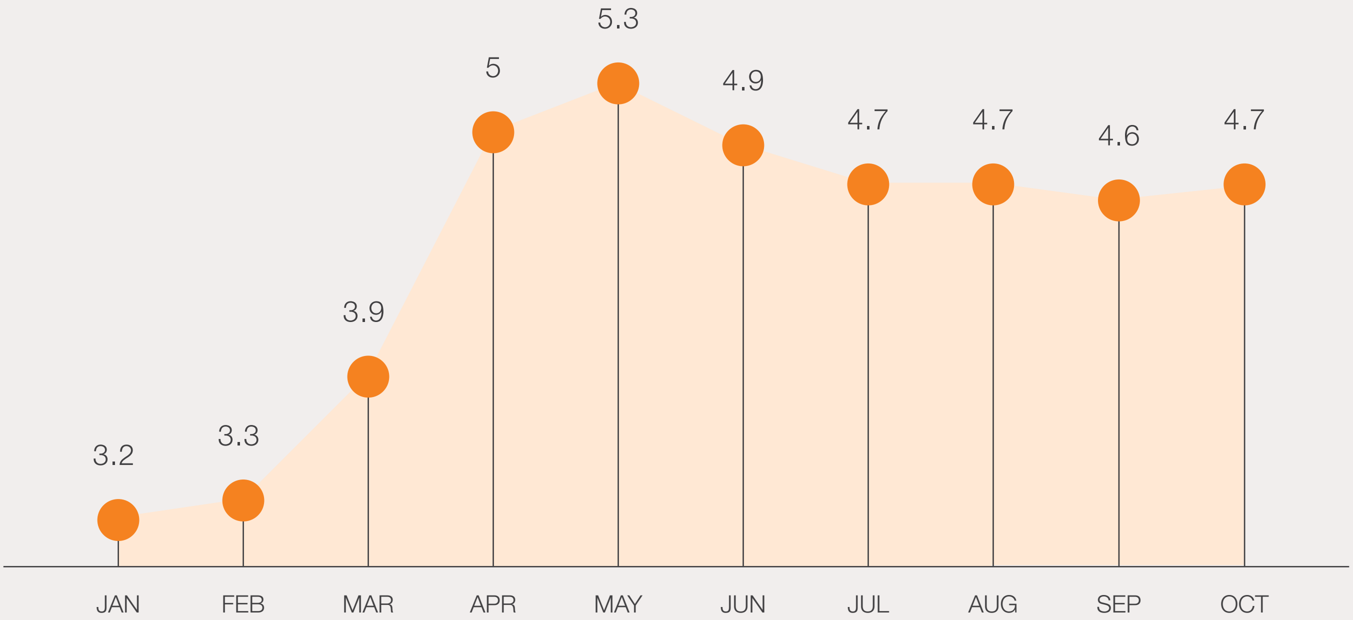
INDUSTRY AND MARKET **OVERVIEW**

The Malaysian general insurance industry and market, as with the rest of the world, experienced severe disruption due to the Covid-19 pandemic. The reach and impact of the coronavirus was unprecedented, and effectively sent much of the world into a lockdown. Covid-19 would extract a high human cost with just under 103 million cases reported worldwide and over 2.2 million deaths attributed to the virus as at 2 February 2021. While countries around the world have started rolling out their vaccination efforts - Malaysia is expected to receive its first batch of vaccines by the end of February 2021 - it was too soon to gauge at the time of publication of this report the effectiveness of the vaccination effort.

The global economy would contract the most since the Second World War while almost every other country in the world, including Malaysia, would fall into a recession. According to the World Bank, the global economy would shrink by 5.2% in 2020 while Malaysia's economy would, according to the Malaysian Institute of Economic Research ("MIER"), contract by 5.5%. According to a joint survey between MIER and the Federation of Malaysian Manufacturers ("FMM"), business activity in Malaysia hit its lowest levels in the first half of 2020 since 2012, which was when the survey started.

Malaysia would also report a spike in the unemployment rate as traditional labour-intensive sectors, agriculture and manufacturing, cut back on production and suspended planned activities. While there would be some moderation in the unemployment rate towards the middle of the year, recovery is expected to be slow and uneven. The immediate impact of unemployment would be cutbacks in per capita disposable income, which further reduced the level of economic activity and spending in the country.

MALAYSIA'S MONTHLY UNEMPLOYMENT RATE (%)



Source: Department of Statistics Malaysia

INDUSTRY AND MARKET OVERVIEW

In response to the crisis, the Malaysian Government took immediate relief action, imposing the Movement Control Order ("MCO") a week after the World Health Organisation's declaration of a pandemic and injected a total of RM305 billion in stimulus spending during the year. While these initial measures provided some relief, subsequent waves of infection in the second half of the year would send much of the country back under a conditional MCO.

While there were other factors affecting the stability of the markets in 2020 – continuing trade tensions between the United States ("US") and China, the change of government in Malaysia and continuing volatility of demand for Malaysian exports – these were overshadowed by the impact of the pandemic.

IMPACT ON THE GENERAL INSURANCE MARKET

Data from Insurance Services Malaysia Berhad ("ISM") showed that the general insurance industry registered a year-on-year decrease of 0.9% in Gross Written Premiums ("GWP") for the nine-month period ended on 30 September 2020. The performance is indicative of a recovery in economic activity following a challenging first half of the year in which, according to Persatuan Insurans Am Malaysia ("PIAM"), the industry experienced its steepest half-year drop.

The breakdown of the industry's GWP performance for the period ended 30 September 2020 is given in the following table.

General Insurance Industry GWP Performance for the Period Ended 30 September 2020

FIRE	▲ 2.9%	**PERSONAL ACCIDENT**	15.1% ▼
MEDICAL AND HEALTH	0.8% ▼	**MARINE AVIATION AND TRANSIT**	0.2% ▼
MOTOR	1.9% ▼	**MISCELLANEOUS**	▲ 2.9%

To help our community members and policyholders manage the impact of the pandemic, PIAM member companies, including Lonpac, started a RM8 million Covid-19 Test Fund. The Fund was established to help defray the cost of testing for policyholders deemed to be most at risk for Covid-19. Policyholders will be reimbursed up to RM300 for their tests. Individual insurance companies also made special concessions to their policyholders to help ease their financial burdens by reviewing the impact of the crisis on their premium payments and policy terms.

Meanwhile, insurance companies had to simultaneously manage the impact of the pandemic on their operations and take all necessary steps to ensure the sustainability of their enterprise. The imposition of the Malaysian Government's MCO had been severely disruptive to day-to-day operations even as revenue streams were impacted by the deteriorating operating conditions. Insurance companies, depending on the portfolio mix of their business, were affected to greater or lesser degree, but nevertheless found themselves having to quickly adapt to the New Normal.

The outbreak of the pandemic had also postponed the implementation of the phased liberalisation of the general insurance sector by a year. While this development was mainly neutral for Lonpac—we have been preparing for liberalisation over the last decade—the postponement did mean that some of the uncertainties associated with liberalisation were similarly delayed as well. The next phase of liberalisation is expected to recommence in December 2021.

MATERIALITY **ASSESSMENT**

Material matters are defined as issues that may have significant financial and non-financial impact on our organisation, including matters 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 Malaysia Securities Berhad ("Bursa Securities"), which states that sustainability matters are deemed material if they:

- reflect the listed issuer's significant economic, environmental and social impacts; or
- substantively influence the assessments and decisions of stakeholders.

We conducted a materiality assessment in 2020 as part of our regular sustainability practice to ensure that our list of material matters remained relevant to our stakeholders. We conducted our materiality surveys via digital channels because of the restrictions on physical meetings during the Movement Control Order and received 875 total responses. These surveys were aimed at understanding the needs and concerns of our stakeholders, and their responses were used to review our list of material matters.

Following the collation of data, we have adjusted our list of material matters to better reflect stakeholder concerns. The changes in our list are reflected in the diagram below:

2019 & 2020 STAKEHOLDER ASSESSMENTS

RANK	2019 STAKEHOLDER ASSESSMENTS
1	Privacy and Data Protection
2	Corporate Governance
3	Employee Competency
4	Claims Management
5	Workplace Safety
6	Partners' and Agents' Loyalty
7	Employee Welfare Development
8	Partners' and Agents' Competency
9	Product Availability and Affordability
10	National Contribution
11	Responsible Investment
12	Job Creation
13	Shrinking Our Carbon Footprint
14	Workplace Diversity
15	Social Responsibility

RANK	2020 STAKEHOLDER ASSESSMENTS
1	Employee Welfare Development
2	Claims Management
3	Privacy and Data Protection
4	Employee Competency
5	Partners' and Agents' Loyalty
6	Workplace Safety and Employee Wellness
7	Customer Experience Management
8	Product Availability and Affordability
9	Anti-Bribery and Corruption
10	Resources Management
11	Financial Rating
12	Corporate Governance
13	Job Creation
14	Climate Change
15	Partners' and Agents' Competency
16	Social Responsibility
17	Workplace Diversity
18	Responsible Investment

Legend: Removed from material matters | Newly added into material matters

MATERIALITY ASSESSMENT

From the previous list, we note that National Contribution was no longer a concern for our stakeholders, while four new issues – Customer Experience Management, Anti-Bribery and Corruption, Financial Rating and Climate Change – were introduced. Additionally, we see that the prioritisation of material matters has also changed, with Employee Welfare Development, Claims Management, and Privacy and Data Protection take the top three positions of importance.

The changes in the ranking suggests to us that our stakeholders have become more conservative during the year, which is expected given the impact of the Covid-19 pandemic. For the purposes of comparison, we also conducted an internal material matter prioritisation which polled our own employees ("LPI Assessments"). The result of the prioritisation exercise is as follows:

2019 & 2020 LPI ASSESSMENTS

RANK	2019 LPI ASSESSMENTS
1	Employee Competency
2	Partners' and Agents' Competency
3	Claims Management
4	Partners' and Agents' Loyalty
5	Product Availability and Affordability
6	Employee Welfare Development
7	Corporate Governance
8	Job Creation
9	Responsible Investment
10	Privacy and Data Protection
11	Workplace Safety
12	National Contribution
13	Workplace Diversity
14	Shrinking Our Carbon Footprint
15	Social Responsibility

RANK	2020 LPI ASSESSMENTS
1	Anti-Bribery and Corruption
2	Financial Rating
3	Employee Welfare Development
4	Employee Competency
5	Claims Management
6	Corporate Governance
7	Partners' and Agents' Loyalty
8	Customer Experience Management
9	Privacy and Data Protection
10	Workplace Safety and Employee Wellness
11	Partners' and Agents' Competency
12	Product Availability and Affordability
13	Responsible Investment
14	Job Creation
15	Resources Management
16	Climate Change
17	Workplace Diversity
18	Social Responsibility

Legend: Removed from material matters | Newly added into material matters

MATERIALITY ASSESSMENT

We note that Anti-Bribery and Corruption, and Financial Rating, both new material concerns, took the top two positions in our internal rankings. This is likely due to emphasis placed by our regulators on the importance of good corporate governance and new regulations coming into effect this past year. It is interesting to note that the rankings of material matters by our external stakeholders and employees this year share more overlap than it has in previous years, judging from the five most important material matters:

2020 STAKEHOLDER & LPI ASSESSMENTS COMPARISON

RANK	2020 STAKEHOLDER ASSESSMENTS
1	Employee Welfare Development
2	Claims Management
3	Privacy and Data Protection
4	Employee Competency
5	Partners' and Agents' Loyalty
6	Workplace Safety and Employee Wellness
7	Customer Experience Management
8	Product Availability and Affordability
9	Anti-Bribery and Corruption
10	Resources Management
11	Financial Rating
12	Corporate Governance
13	Job Creation
14	Climate Change
15	Partners' and Agents' Competency
16	Social Responsibility
17	Workplace Diversity
18	Responsible Investment

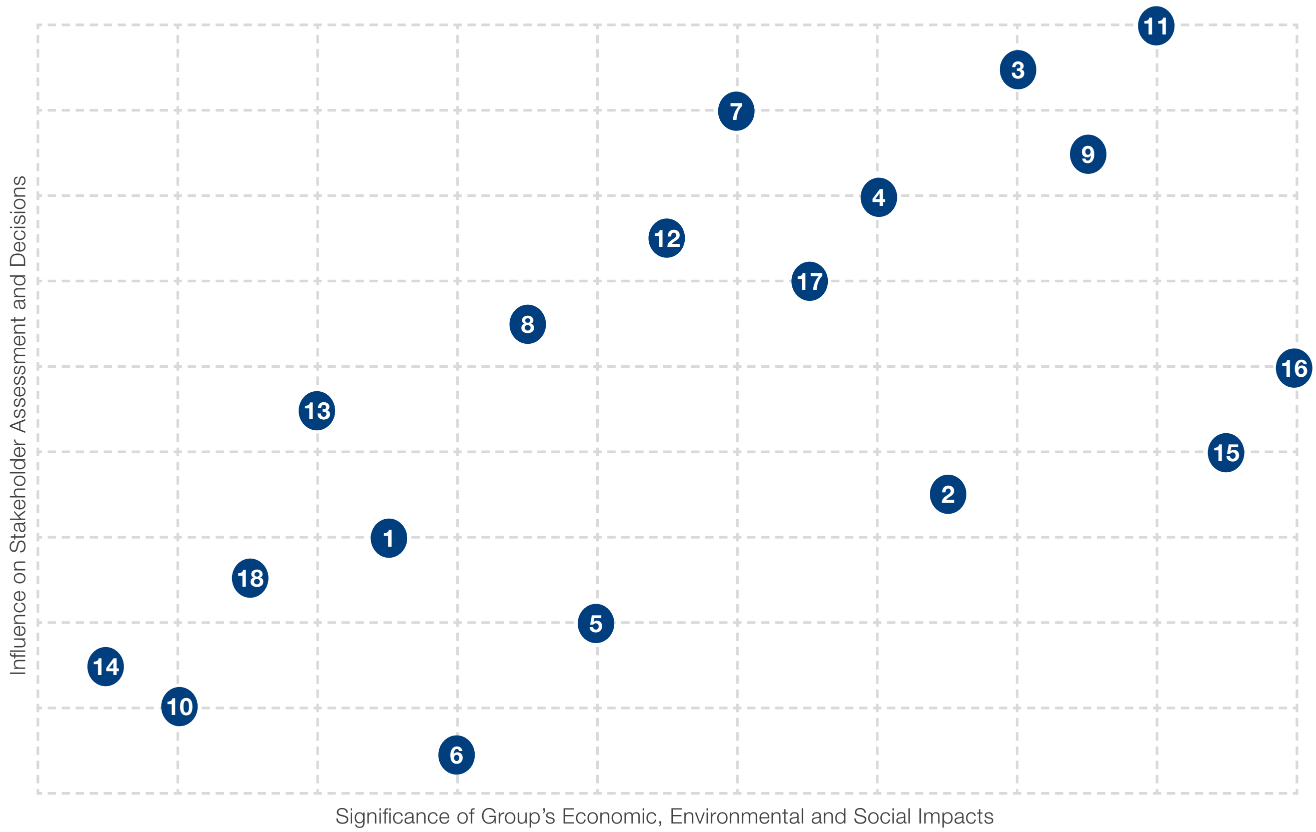
RANK	2020 LPI ASSESSMENTS
1	Anti-Bribery and Corruption
2	Financial Rating
3	Employee Welfare Development
4	Employee Competency
5	Claims Management
6	Corporate Governance
7	Partners' and Agents' Loyalty
8	Customer Experience Management
9	Privacy and Data Protection
10	Workplace Safety and Employee Wellness
11	Partners' and Agents' Competency
12	Product Availability and Affordability
13	Responsible Investment
14	Job Creation
15	Resources Management
16	Climate Change
17	Workplace Diversity
18	Social Responsibility

MATERIALITY ASSESSMENT

After giving the appropriate weightings to each ranking, we constructed the following materiality matrix:

2020 MATERIALITY MATRIX (18 ISSUES)

2020 LPI CAPITAL BHD MATERIALITY MATRIX



1. Job Creation
2. Corporate Governance
3. Claims Management
4. Partners' and Agents' Loyalty
5. Partners' and Agents' Competency
6. Responsible Investment
7. Privacy and Data Protection
8. Product Availability and Affordability
9. Employee Competency
10. Workplace Diversity
11. Employee Welfare Development
12. Workplace Safety and Employee Wellness
13. Resources Management
14. Social Responsibility
15. Financial Rating
16. Anti-Bribery and Corruption
17. Customer Experience Management
18. Climate Change

MATERIALITY ASSESSMENT

As per our regular practice, we grouped our material matters into three categories: Environmental, Economic and Social. In line with best practice, we have ranked these material indicators in order of importance based upon the internal assessment from the Group in conjunction with feedback obtained from our various stakeholders. This is in turn reflected in our materiality matrix below:

EES PILLAR	MATERIAL MATTERS	EES CATEGORY
MARKETPLACE DEVELOPMENT	• Job Creation • Corporate Governance • Claims Management • Partners' and Agents' Loyalty • Partners' and Agents' Competency • Responsible Investment • Privacy and Data Protection • Product Availability and Affordability • Anti-Bribery and Corruption • Financial Rating • Customer Experience Management	ECONOMIC
WORKPLACE MANAGEMENT	• Employee Competency • Employee Welfare Development • Workplace Diversity • Workplace Safety and Employee Wellness	ECONOMIC
COMMUNITY DEVELOPMENT	• Social Responsibility	SOCIAL
ENVIRONMENTAL CONSERVATION	• Climate Change • Resources Management	ENVIRONMENTAL

STAKEHOLDER IDENTIFICATION

We have identified eight key stakeholder groups that impact or are directly impacted by our value creation activities. They remain unchanged from 2019 and are as follows:

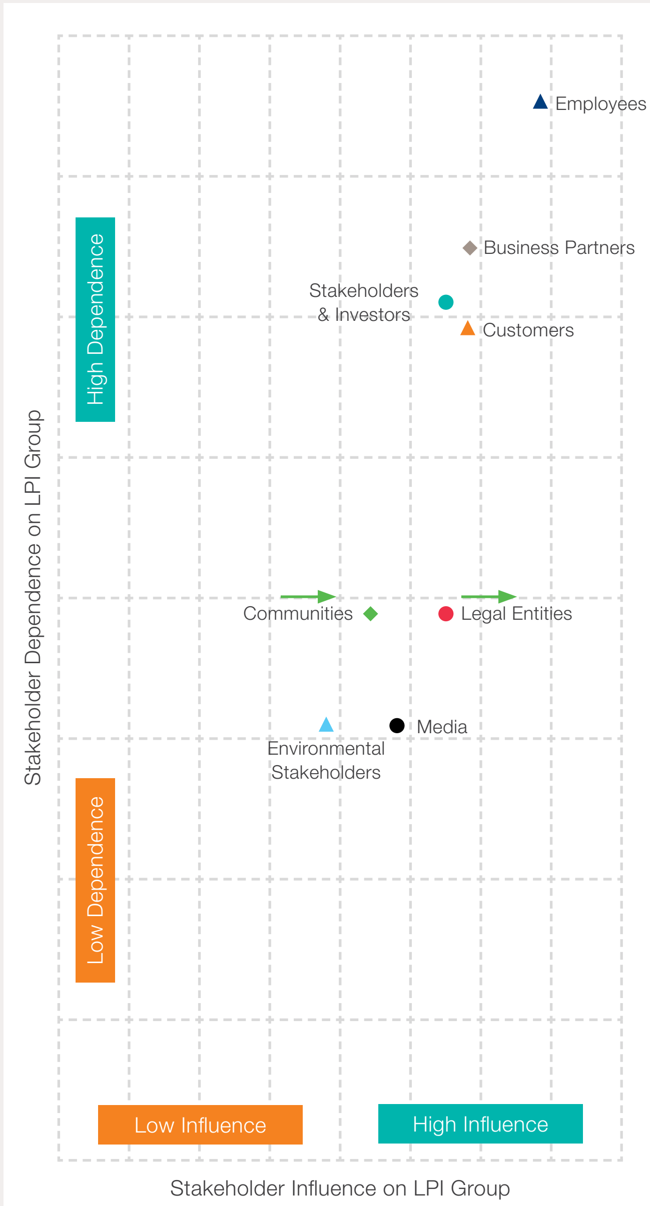
STAKEHOLDER	DESCRIPTION
1 EMPLOYEES	Our employees are at the core of all our operations and are directly involved in all our value creation activities. They are our main source of human capital and are essential inputs for us.
2 BUSINESS PARTNERS	Our business partners are third-parties who facilitate our value creation activities including the sales and distribution of our insurance products, assistance in claims administration, etc. They are sources of human, intellectual and relationship capital that we use in our activities.
3 SHAREHOLDERS AND INVESTORS	Shareholders and investors are stakeholders who hold a direct financial stake in the LPI Group either through the purchase of equity in our Company or through other financial instruments. They are sources of financial capital for the Company.
4 CUSTOMERS	Our customers are the end-users of our insurance products and services, and the primary targets of our business activities. They are sources of financial capital and relationship capital as they have a direct bearing on the overall reputation of the Group.

MATERIALITY ASSESSMENT

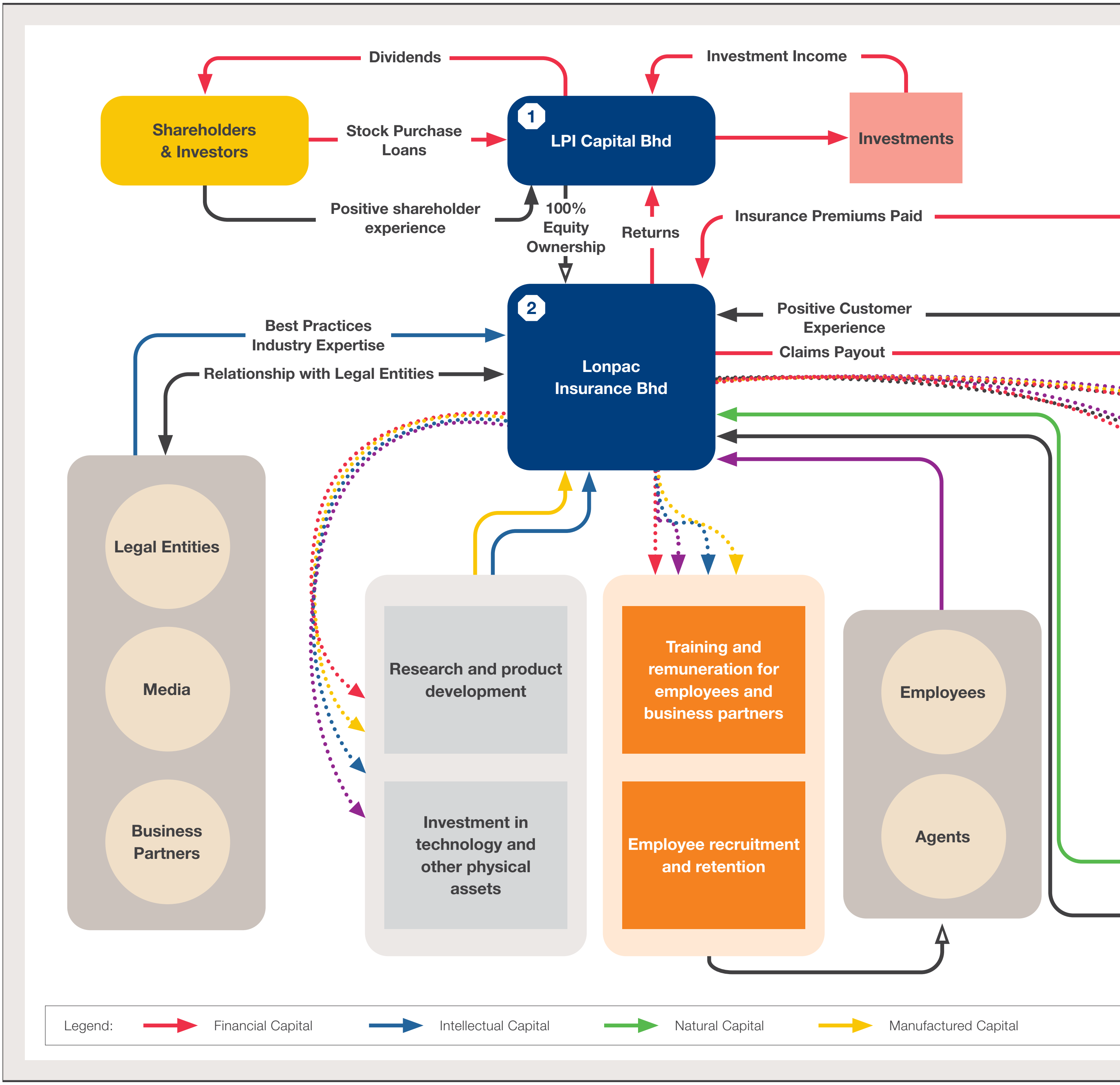
STAKEHOLDER	DESCRIPTION
5 COMMUNITIES	The LPI Group operates within a larger communal context that contains other community groups to whom we have duties and obligations. These include social welfare groups, and groups concerned with special interest topics such as financial literacy. They are a source of relationship capital as well as intellectual capital as they provide us with a social license for operation and advice in specific areas.
6 LEGAL ENTITIES	Legal entities include our regulatory authorities that oversee the legal framework in which we operate. Examples include Bank Negara Malaysia ("BNM") and Bursa Securities who specify operational limits for us. We also include trade associations, such as Persatuan Insurans Am Malaysia ("PIAM"), as members of this stakeholder group. Legal entities are sources of intellectual capital as they provide advice and expertise in relation to the regulatory environment.
7 MEDIA	The media is responsible for communicating information about the Group to the general public. We include analysts who act as liaisons between the Group and our investors within this category. We consider them to be sources of relationship capital.
8 ENVIRONMENTAL STAKEHOLDERS	These are organisations that have a vested interest in the protection of the environment and advocate for the continued protection of our natural capital.

We review and revise our stakeholder groups regularly to better represent the impact of our business activities. We also prioritise our stakeholders through our stakeholder prioritisation exercise which is depicted in the matrix below.

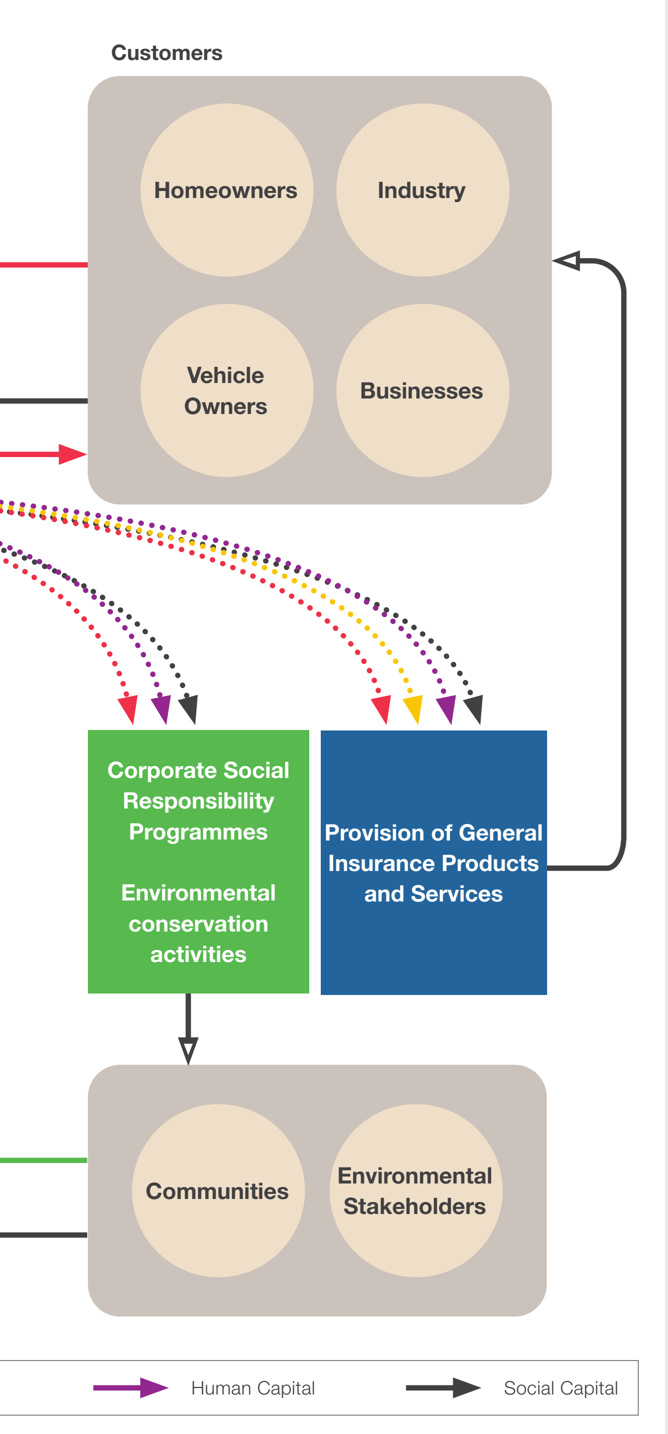
2020 STAKEHOLDER PRIORITISATION



OUR
VALUE CREATION MODEL



OUR VALUE CREATION MODEL



The business activities of the Group are informed by the values which we hope to create for both our stakeholders and for ourselves. The execution of these value creation activities requires the consumption of capital inputs, which is a finite resource that must be replenished over time. In order for us to sustain these capitals, we therefore make great effort to ensure that our activities not only create value for our stakeholders, but also replenish these capitals. The diagram provides an overview of our activities and the deployment and replenishment of the aforementioned capitals.

1. LPI Capital Bhd ("LPI") wholly owns Lonpac Insurance Bhd ("Lonpac"), which primary business is the provision of general insurance products and services. As a publicly listed company, it is an investment asset that is traded on the Bursa Malaysia Securities Berhad stock exchange. We receive financial capital from our shareholders and investors in the form of share capital, which is in turn used to finance business activities through Lonpac or reinvested in other yield-bearing assets. Proceeds from business activities and investments replenish our stock of financial capital, of which a portion is returned to investors annually in the form of dividends.

2. Lonpac is directly responsible for a number of value creation activities which consume and replenish our various capital inputs.

   a. **Provision of General Insurance Products and Services:** This encompasses the entire value chain of the marketing and sale of insurance products to our customers. It draws from almost our entire range of capital resources to ensure that we remain competitive and that our products are relevant to our customer base. This in turn generates financial capital in the form of premium revenue to Lonpac, a portion of which is returned to customers in the form of claims payout.

   b. **Sustaining our Human Capital:** Our employees and agents are invaluable components in all our value creation activities and it is crucial that we recruit and retain trained and skilled practitioners within our pool of human capital. We therefore invest significant resources into training and recruitment to sustain sufficient levels of human capital for our activities.

   c. **Investment in Research and Development ("R&D") and Infrastructure:** We invest substantial resources in this area to help us maintain a competitive edge in the increasingly competitive insurance landscape. R&D ensures that our products and services meet customer needs while remaining in line with our risk management and pricing guidelines. It also allows us to develop new channels of revenue, e.g. by originating new digital products, and thereby secure the long-term sustainability of our enterprise. Investments into infrastructure, meanwhile, supports our business activities by providing a platform, physical or digital, for the execution of our activities. These investments effectively replenish our pool of intellectual and manufactured capitals that can be used in the execution of our initiatives.

   d. **Engagement with our Community Stakeholders:** As a public entity, we depend on public approbation to give us a social licence to operate. We regard this as our relationship capital and this is generated through our positive interactions with community members and groups, as well as through the fair and efficient execution of our business activities. We also regard seriously our interactions with environmental groups whom we recognise as doing important work to safeguard the long-term sustainability of our natural capitals and therefore support their activities through sponsorship and participation in their activities.

   e. **Engagement with Legal Entities:** We operate in a highly regulated industry that is overseen by regulators including Bank Negara Malaysia and the Securities Commission Malaysia. As developments in the regulatory regime may have substantial impact on our operations, we play an active role to build relationships and participate in steering developments within the regulatory framework.

OUR VALUE CREATION MODEL

OUR STRATEGIC DIRECTION AND PROSPECTS

The Group focuses its strategy on three distinct time frames: the short- or immediate-term, the medium-term and the long-term. These roughly correspond to the next year, the next two to five years, and the next few years after that. In line with our overall business philosophy, our strategic emphasis has always been placed on sustainability in regards to business growth and in creating value for our stakeholders.

The core strategy of LPI and its wholly-owned subsidiary Lonpac, collectively known as LPI Group ("the Group"), has been a part of our identity since the founding of our Company. In general, this identity involves prudential management, organic growth and moderation in underwriting risk. This measured approach has sustained us for more than 50 years and will remain key values in our organisation.

Nevertheless, we recognise that there is a more specific dimension to our corporate strategy, and this must take into account variable factors such as the changing operating context, evolving stakeholder expectations and developments in demography and technology. These factors collectively establish our operating context, and our strategy over the short-, medium- and long-terms must address challenges that arise from this context, or make the most of the opportunities that present themselves.

In this way, the Group is directed to maximising the value created for our stakeholders through our business activities and also ensuring that we remain a relevant and sustainable player in the industry. This section of our integrated report considers our strategy in light of recent developments and outlines our responses to them.

The Immediate-Term

Managing the impact of the Covid-19 pandemic will be the highest priority of the Group in 2021. Given the incredibly disruptive nature of the pandemic and its far-reaching impact, we are aware that the pandemic has the potential to impact or disrupt activities related to our material issues, as well as the way we replenish our capital inputs through our value creation activities. The following are some of the immediate challenges we have identified and our plans to manage their impact.

COVID-19 REMAINS UNCONTAINED

In the event that the Covid-19 pandemic remains uncontrolled in 2021, we believe that it is unlikely that its impact would be substantially worse than what we have experienced in 2020 for several reasons:

The discovery of promising vaccines for the virus

People and businesses are better prepared and have more experience in managing the outbreak

Governments are ready to inject fiscal stimulus should conditions worsen

OUR VALUE CREATION MODEL

Nevertheless, we recognise that in a worst-case scenario, the pandemic could directly threaten our source of income and destabilise markets, which in turn could have a systemic impact on the financial system as a whole. We have prepared the best we can for this eventuality and reviewed our Business Resumption Continuity Plan ("BRCP") during the year as well as kept a close eye on our capital adequacy levels. In addition, we are in constant communication with financial regulators and government agencies to ensure that the market remains as resilient as it can be.

The continuation of the pandemic could also prove disruptive to our employees and agents – our human capital – as Covid-19 represents a real health and safety risk. As with the above, we have more experience and are better equipped to take the necessary measures to reduce our employees' exposure to the virus through the implementation of our work from home policy as well as intensifying the use of technology to minimise physical meetings and physical interactions. These measures are also specified under the BRCP, which now outlines work arrangements in the event of a pandemic.

In summary, our strategy to manage the pandemic will be to improve and further enhance the measures we started implementing in 2020. Meanwhile, we will also take measures to help our stakeholders to the best of our ability, either by revisiting the terms of their policy with us or evaluating possible reductions of their financial burden during this challenging time. Our initiatives will necessarily be reactive as the outcome of the pandemic very much remains shrouded in uncertainty. We are also committed to continue working with Persatuan Insurans Am Malaysia as well as other trade associations in concerted efforts to support the country and the industry.

Uncertainty in the Global Financial Markets and Geopolitical System

The greatest impact that volatility in the global financial markets and geopolitics will have on us will be on the way it affects external demand. As Malaysia is a trade-dependent nation, continued volatility in the global landscape would certainly continue to depress economic activity, which would have a knock-on impact on demand for Malaysian goods. Malaysia's dependency on external trade is clearly evident from the economic recovery projected by the Malaysian Government, which assumes at its basis a recovery in external economic activity.

Although the new US administration is expected to be more measured in its approach in comparison to the previous administration, it is too soon to say if it will move towards repairing trade relationships that were damaged over the past four years. While China has certainly shown that it has bounced back from the earlier setback – according to the International Monetary Fund, it will likely be the only country in the world to show positive growth – it remains to be seen if it can afford to take a leadership role in spearheading the recovery charge. Similar uncertainty shrouds the prospects for the Eurozone with the United Kingdom poised to complete its exit from to European Union in January 2021.

While Malaysia is now a signatory of the Regional Comprehensive Economic Partnership ("RCEP"), which is the world's largest free trade agreement, the benefits from the partnership have yet to become sufficiently clear. While regional integration has the potential to be a positive catalyst for local economies, there have also been instances in the past where specific sectors within the economy have been hurt due to greater competition with other players. Malaysia has been placed in a similar situation now, i.e. potentially facing greater competition from other countries who have also signed on to the RCEP.

Political Uncertainty in Malaysia

On a smaller scale, the continuing political uncertainty in Malaysia will have an impact on our business activities particularly as government spending is expected to be a key driver of the economy in 2021. For example, the Government has pledged to spend RM15 billion on national infrastructure projects which, should it come to fruition, would be a positive driver of growth for us as we are an active participant of the Large and Specialised Risk ("LSR") scheme. In addition, more political clarity would allow us to plan and better anticipate changes in the operating environment.

Liberalisation on Hold

Bank Negara Malaysia announced that it had put off the liberalisation of the general insurance industry from July 2020 until the end of 2021. This is a mainly neutral development for the Group as we have been preparing for liberalisation for the better part of the past decade, and have prepared our organisation to embrace the new regime. We do not anticipate any massive changes on our part to accommodate the delay in liberalisation, but may revisit some of our processes or product lines to see if more enhancements can be made.

OUR VALUE CREATION MODEL

The Medium- and Long-Term

Over the medium-term, we expect that Covid-19 will have been successfully contained, or if not contained managed in such a way as to allow for normalcy to return to the day-to-day. Once this has been achieved, the other factors mentioned above will regain importance as key considerations with significant bearing on our strategy.

We expect that the general insurance sector will have completed its phased liberalisation plan by the medium-term, and we would be faced with operational challenges including increased competition, pressure on premiums and higher cost of doing business. As this is a delayed rather than a new development, we believe that we have already done all that is necessary to ensure our smooth transition from a tariff structure. This includes enhancements to our risk pricing, product development, digital infrastructure and agent management.

We also expect that the global financial markets will remain fairly volatile as it will either be recovering from the global recession or operating at a higher-than-normal level of caution. From a trade standpoint, this may mean similar volatility in our domestic economic activity and, inter alia, demand for insurance.

Nevertheless, we believe that government spending, especially on infrastructure projects, will accelerate at this time as part of a concerted fiscal recovery programme. As an active participant of the LSR scheme, we will need to ensure that we are sufficiently prepared to bid for these projects as we can certainly expect to see stiff competition from other insurers. Preparations would include ensuring sufficient financial resources to underwrite large-scale projects as well as further improving our relationships with reinsurers and brokers to expand our capabilities and network.

It is also within the horizon of the medium-term that we expect to see our digital business take off and start to become a relevant revenue contributor for us. While we have a comprehensive digital transformation programme outlined for the Group, we will have to pay greater attention to execution to ensure that we stay on schedule in terms of developing and launching new digital products and enhancing digital distribution channels. Again, we expect to see stiff competition from other insurers who would have recognised the need for digitalisation in this past year.

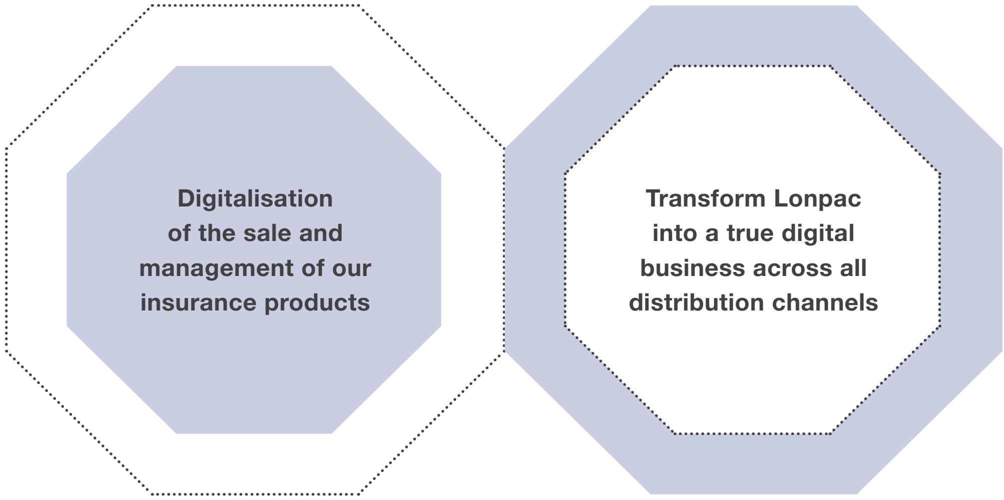
Towards Becoming a Digital Business

Lonpac embarked on a plan to transform itself into a digital business in 2017 in view of the rapid and unprecedented development in the area of digital finance and changes in customer expectations. The explosion of alternative investment platforms and online insurance services helped us realise that we correspondingly needed to change the way we do business to remain relevant to our stakeholders and sustainable as an enterprise. Importantly, we have seen the rise of insurance technology (“InsureTech”) and financial technology (“FinTech”) which has given individuals direct accessibility to financial products and services through digital devices.

While greater accessibility is definitely a development in the right direction, there are also downsides to this move. For instance, purchasers of insurance may no longer have the benefit of an experienced adviser who can guide them to the right products and services based on their needs, or they may obtain inaccurate information from their own research online. On our part, we may see more disputes arising from policyholders who made their decisions digitally under incorrect assumptions, or see our traditional lines of business eroded by these new digital options.

OUR VALUE CREATION MODEL

In an effort to mitigate the above issues, our digitalisation strategy leverages on the best of both worlds to combine our insurance expertise and market leading position with cutting edge digital solutions, both online and on mobile, to provide a holistic digital solution. In effect, there are two main thrusts to our digital transformation:



We have made continuous improvements to the back end of our systems and have started to launch basic insurance products online via our web portal. We expect to do more launches in the coming year and further explore ways of collaborating with business partners to further enhance our digital presence. We should note that the pandemic has accelerated our timeline for our digital transformation as we were reminded of the importance of having an alternative distribution channel should physical avenues be compromised.

UNDERSTANDING **OUR RISKS**

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 of Directors ("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 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 Board has 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 the risk tolerance limit. Regular monitoring and reporting of risks enables continuous review and prompt management actions to be taken.

SUPPORT DEPARTMENTS

1 Underwriting 2 Claims 3 Finance 4 Human Resource 5 Information Technology

RISK TYPE	MITIGATION EFFORTS - Risk Management Approaches:
FINANCIAL RISKS Risk in the asset portfolio due to 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.
STRATEGIC RISKS Risk arises from underlying strategies that turns out to be a poor business strategy decision.	• Product Committee 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.
INSURANCE RISKS Risk arising from insurance business (i.e. underwriting & claims).	• 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.
OPERATIONAL RISKS Risk arising from inadequate/ failed internal processes, people, systems or unexpected external events & from the damage to the Group's reputation.	• Periodical reviews and monitoring of internal processes are performed to ensure viability and appropriateness with respect to the changing operating environment. • Structured guidelines, access rights, training and organisation of work with random checks and reviews help control the risks of human errors. • Regular back-ups, software/ hardware acquisition policies and benchmark tests are utilised to ensure the quality of internal systems.
LEGAL AND COMPLIANCE RISKS Risk arising from a breach in the applicable laws and regulations.	• 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 RISKS

6 Compliance & Legal
7 Actuarial
8 Pricing
9 Administration
10 Secretariat
11 Product Development

- 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.

- The Information Technology Steering Committee ensures the effective planning and direction of IT plans and projects.
- Digital Business 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.

- Regular monitoring of claims experience.
- Stress-testing to identify potential threats due to exceptional but adverse plausible events.

- The external operating environment is monitored closely and the Business Resumption Continuity Plan is reviewed periodically.
- Virtual Private Network has been granted for staff to ensure continuity of operation.
- E-policy documents to reduce the carbon footprints.

LINK TO STRATEGY

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.

DISTRIBUTION CHANNELS

Agency

Financial Institution

Broking

Global Partnership

Trade Credit

Digital Business

Customer Service

Branches Strategic Performance

Branches

CREATING **SUSTAINABLE VALUE**

LPI Capital Bhd ("LPI") takes great pride in the work that we put into creating sustainable value for our organisation and all our stakeholders. We work jointly with Lonpac Insurance Bhd ("Lonpac"), which is our executive arm, to ensure that our activities are aligned with best practices. To ensure that our activities are directed towards values that are aligned with our overall core values and philosophy, we have established a Sustainability and Integrated Reporting Committee ("SIRC") comprising members of management from both LPI and Lonpac (collectively known as "LPI Group" or "the Group").

The Committee has been overseeing our sustainability practice since 2016 and its roles include directing, managing, and overseeing the sustainability activities of the Group and reporting findings to the Board of Directors ("Board"). To ensure that our leaders are thoroughly familiar with the workings of the Group, members of senior management from LPI and Lonpac including the Chief Executive Officers of both companies are active participants of the Committee.

From this perspective, SIRC plays a direct role in implementing our sustainability initiatives, and is responsible for realigning the Group's sustainability policy based on feedback and new findings. It also assesses and audits the outcomes of our initiatives and adjusts them as and when necessary.

Our sustainability goals are outlined in our sustainability vision, which is 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."

Our sustainability practice is anchored under four main pillars:

These are further housed under our Lonpac Cares Sustainability Framework. The following sections discuss our activities under each pillar.

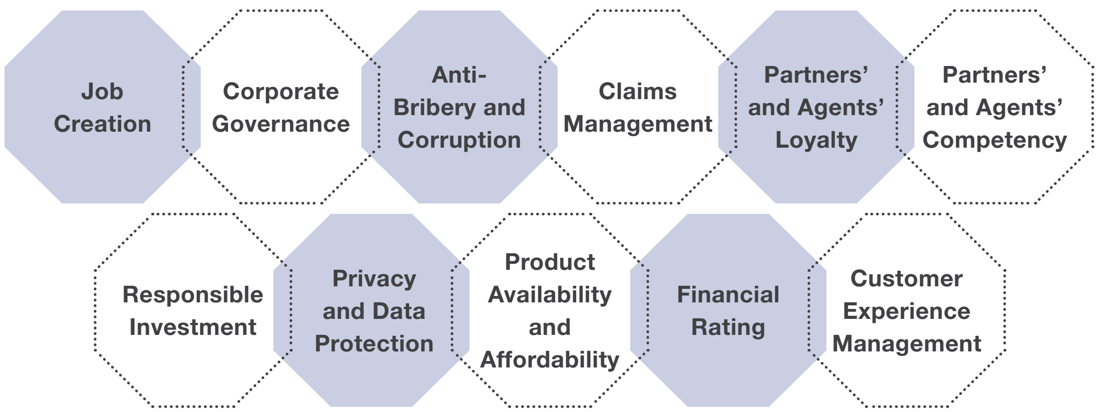
OUR **MARKETPLACE DEVELOPMENT**

We operate within a broad insurance and financial market which comprises multiple stakeholders with various priorities and values. As our activities take place within this broader marketplace, our actions have a direct and indirect impact on these stakeholders as well as in the marketplace in general. In addition, we also depend on the marketplace as the source for some of our capital inputs and therefore have a stake in ensuring the overall sustainability of the marketplace.

Lonpac is an international insurer, which means that the scope of our marketplace extends beyond Malaysia and the region to be interconnected with the dynamics of global financial markets. Our prospects are affected by the ebb and flow of market forces within this marketplace, and our activities likewise have an impact on the overall state of the global financial market. It is therefore mutually beneficial for us as well as our stakeholders that we play our part in ensuring the long-term sustainability of the marketplace and in meeting the obligations placed upon us in our role as an insurer.

As our role in the marketplace varies depending on the context, our marketplace responsibilities also differ based on the specific role in question. These could include industry-specific functions such as developmental initiatives held in collaboration with other insurance providers and our regulators, to playing our part in forwarding the national goal of ensuring sufficient and affordable insurance coverage for Malaysians from all levels of society. From that perspective, our sustainability initiatives in the marketplace are focused on business development as well as on promoting financial stability.

For the year under review, we have identified 11 material matters that fall under the heading of marketplace development.



In addition to the above material matters, the Group has also remitted RM94.0 million in taxes in 2020. We take our tax commitments seriously and make the effort to remit our obligations in a timely manner. In recognition of our efforts, we received the Inland Revenue Board's ("IRB") Best Taxpayer 2019 which recognises:

- Our full compliance with tax law
- The significance of our contributions in terms of tax paid
- The absence of any legal action being taken against us

The IRB's award consideration also requires a full assessment of our performance to arrive at their valuation of our tax performance for the year. We believe that this positive evaluation of our tax performance is indicative of our commitment to being model corporate citizens and the nation's development.

OUR MARKETPLACE DEVELOPMENT

JOB CREATION

As one of the largest insurance players in Malaysia, we are a significant recruiter and trainer of insurance talent and therefore play an important part in the employment ecosystem for the industry. The Group hires local talent when possible, but prioritises candidates that are best suited for the required position.

While our hiring numbers have remained fairly stable over the last few years, Management decided to impose a hiring freeze in 2020 due to the worsening operating environment. The Covid-19 pandemic had introduced levels of volatility and uncertainty that were previously unseen in Malaysia, which had in turn prompted our leadership to take a more cautionary approach to recruitment. The lack of clarity in prospects moving forward and the risk of projects being suspended or cancelled meant that we could not properly estimate our human capital needs in the foreseeable future.

Our recruitment in 2020 roughly halved from previous years as a result of the hiring freeze, and we have also substantially cut back on internships as the Movement Control Order ("MCO") had placed restrictions on physical movement. We expect the hiring freeze to last until there is greater visibility of our future prospects and clear signs of recovery underway. The table below provides an overall summary of our recruitment in 2020.

Material Matter	Sustainability Value (Objectives)	Indicator	Measurement/ Calculation	Outcome	Progress
Job Creation	Create job opportunities and economic wealth for stakeholders Contribute to national efforts to increase the number of skilled insurance professionals in Malaysia	Job opportunities created this year	Total number of recruitments = **37 jobs created** (2019: 62 jobs) (2018: 68 jobs)	Sufficient human capital for the Group's value creation activities	Recruitment and job creation is guided by the Group's needs, which in turn is dependent on a number of variable factors. We have been prioritising the recruitment of tech-savvy employees in view of our strategic plan to transform Lonpac into a digital company.
			Percentage of jobs awarded to locally qualified candidates = **34 out of 37 jobs** = **91.89%** (2019: 87.1%) (2018: 91.2%)	Develop local insurance talent	
		Internship programmes	Training hours/ time spent on interns = Total training hours/ number of interns = **2.2 months/ intern** (2019: 4.35 months/ intern) (2018: 4.5 months/ intern)	Ensure effective and regular hiring of interns	

OUR MARKETPLACE DEVELOPMENT

CORPORATE GOVERNANCE

We regard corporate governance as an essential element of the sustainability of our enterprise and have put in place a strict code stipulating our commitments and responsibilities.

See pages 84 to 96 in this report for our Corporate Governance Overview Statement.

As a material matter, corporate governance has a role to play in ensuring that our capital inputs are appropriately and efficiently utilised and that the value we create for our stakeholders is not unfairly or illegally siphoned out by a third party. Differently put, corporate governance is essential for preserving the integrity of our value creation cycle.

Read more on our Value Creation Cycle on pages 48 to 49.

At LPI, corporate governance is directly overseen by the Board, which takes a direct and active interest in all aspects of managing the Group. This is then filtered down to the rest of the organisation through our senior leaders who act as role models for the rest of the Group. We had in previous years grouped our anti-bribery and anti-corruption measures under Corporate Governance, but they have been separated this year in recognition of their importance as individual topics.

In recognition of our corporate governance performance, LPI received the 2019 ASEAN Corporate Governance Scorecard Award in the ASEAN Asset Class PLCs (Malaysia) category from the ASEAN Capital Markets Forum. The award is presented to companies that scored at least 97.5 points or 75% of the maximum attainable score in the 2019 Corporate Governance Scorecard assessment. The Scorecard is a comprehensive assessment of our corporate governance practices, and includes considerations such as the protection of shareholders' rights, the exercise of ownership rights, etc.[1]

ANTI-BRIBERY AND CORRUPTION

Anti-bribery and anti-corruption took on greater importance as material matters in 2020 after the enforcement of a new provision holding corporates liable for graft offences came into effect on 1 June 2020. Based on the provision under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), commercial organisations can now be held liable and punished if their employees or associates are found guilty of corruption. While the LPI Group has always maintained a zero-tolerance policy on bribery and corruption, the new legal measure has ramifications for the sustainability of our value creation activities because of the potential of legal liabilities arising from the malpractice of our staff.

To ensure that our organisation is fully informed of new developments, we took additional steps during the year to fully brief our employees. These measures are detailed below in chronological order:

- 1 June 2020 – An email was circulated to all Malaysian staff on our Anti-Bribery and Corruption Policy
- 12 August 2020 – A webinar entitled "Anti-Bribery and Corrupt Practices – Adequate Procedures an Adequate Statutory Defence" was organised for our staff at the Manager-level and higher
- 27 August 2020 – The same webinar was organised for our staff at the Junior Managers' position
- 12 November 2020 – A video on the same subject matter was distributed to the Officers and Executives at our Head Office
- 23 November 2020 – The video was distributed to the Officers and Executives at our branches
- 23 December 2020 – The video was distributed to staff at other levels

The aim of these training sessions is to bring our staff up to speed on their duties and obligations in relation to bribery and corruption. They were also required to pass an online test following their respective training sessions. We have made our anti-bribery and anti-corruption policies available to all staff so that there can be no excuse for any breach of the policies.

[1] *For more information about the award, please visit https://www.theacmf.org/initiatives/corporate-governance/2019-asean-corporate-governance-scorecard-acgs-awards*

OUR MARKETPLACE DEVELOPMENT

CLAIMS MANAGEMENT

The claims process is a critical component within the insurance value chain and therefore a key service benchmark for insurers. The efficient and fair management of claims incurred has significant impact on our stakeholders, particularly on our claimants who may require timely settlements of legitimate claims in their moment of need. Our claims management has a direct bearing on our reputation as an insurer and differentiates us from our competitors. We track five different targets to benchmark our claims management efficiency and these are presented in the table below.

It is important to note that the data points for 2020 are significantly different from previous years as the Covid-19 pandemic had substantially reduced the level of economic activity as well as the number of claims being filed in relation to those activities. As a result of this unusual event, our claims settlement ratio, as a function of the number of claims settled over the number of claims filed, increased significantly during the year. Meanwhile, the claims productivity ratio of our employees declined at the same time as fewer claims had been filed during the year.

We expect these numbers to normalise in tandem with the recovery in the level of economic activity.

SUMMARY OF CLAIMS MANAGEMENT BENCHMARKS FOR 2020

Sustainability Benchmark	Description	Measurement	Goal	Achievement (2020)
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 60.0%	**67.96%** (2019: 59.13%) (2018: 64.34%)
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	**1,344 claims** (2019: 1,534 claims) (2018: 1,462 claims)
Completeness of quarterly claims files review	Reviews all open and outstanding claims to determine status of claim	Whether or not the review exercise was conducted	To conduct the claims review every quarter	Completed the exercise every quarter in 2020
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*	**0.09%** (2019: 0.06%) (2018: 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 2020

OUR MARKETPLACE DEVELOPMENT

PARTNERS' AND AGENTS' LOYALTY AND COMPETENCY

Our partners and agents are important resources for us and are sources of the human and intellectual capital that we require in conducting our value creation activities. We place a great emphasis on maintaining a stable network of business partners and agents who support our insurance activities as well as function as our representative to our customers. Our agents, in particular, are at the front lines in dealing with customers and are best positioned to understand and address customer needs. The feedback they provide to us is invaluable for our product research and development.

Agent Development

We have established a strong relationship of trust with our network of agents over the many years that we have worked together. It is a mutually beneficial relationship where we have implicit faith in their loyalty and their ability to represent us in the general marketplace and they likewise trust in our ability to reward and compensate them fairly for their efforts. We therefore invest significant resources in our agents in the form of recruitment and training to ensure that they can better fulfil their roles as our representatives in the insurance marketplace.

Our training programmes in 2020 for our agents were severely curtailed due to the restrictions imposed by the MCO. In the interest of ensuring the health and safety of our agents and our trainers, we decided to hold most of our training online or postponed them to the following year. In total, we spent RM245,330 on training of our agents in Malaysia and Singapore in 2020.

Agent Retention

Skilled and experienced talent in the insurance industry is becoming increasingly harder to come by with the number of insurance players growing in the country. The entry of new players, spurred by the liberalisation of the general insurance industry, has increased the overall level of competition including in the area of agent recruitment. Thus, while we invest substantially in agent training, we similarly invest in agent retention to secure a sustainable talent pool for our value creation activities.

To secure our agency network against poaching by other insurance companies, we ensure that our agents are remunerated at levels equal to or higher than the industry average. We also ensure that they receive the appropriate support from us to perform to the best of their abilities and also the development they need to reach their professional ambitions. In doing so, we hope to develop a loyal cohort of skilled and experienced agents who can best represent our Group whilst creating value for our customers depending on their needs and expectations.

To show our agents that we consider them to be valued and important business partners, we instituted our Masterclub Award in 2006 to recognise the best performers within our network of agents. Winners are chosen based on business profitability and premium income generated by their portfolios. 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.

OUR MARKETPLACE DEVELOPMENT

Working with International Partners

Lonpac works together with insurance partners around the world, including brokers, reinsurance providers and other insurance companies, to enhance the value that we create for our stakeholders. Our collaborations include underwriting large risks, providing support services and generating new business leads in mutually beneficial relationships. Our international collaborations are headed by our Broking Department and Global Partnership Department and have been recognised over the years through various awards.

RESPONSIBLE INVESTMENT

The LPI Group has strict policies in place to ensure that the investment funds at our disposal are placed in assets that do not violate our prudential risk thresholds or in assets that are in no way linked to unethical practices such as terrorism financing or money laundering. Our investments are overseen by the Investment Committee, which is responsible for ensuring that the Group's investment policies and strategies are in line with our business strategy and investment guidelines. These guidelines are in turn compared against 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 are among the highest concerns of our stakeholders who are steadily becoming more aware of the danger of having private personal information fall into the wrong hands. With incidences of cyber crime rising steadily due to the increasing integration of technology into almost every aspect of life, it is more important than before that the strictest measures are taken to protect the confidential data of our stakeholders. This becomes even more important in the current climate where there is an increased reliance on digital transactions owing to the Covid-19 pandemic.

The Group takes our data security measures extremely seriously because leakages of data from our network can not only jeopardise our reputation but has the potential to expose us to liabilities resulting from failure to safeguard confidential data. In addition, data breaches could compromise our ability to carry out our value creation activities by eroding the trust that we have built with our customers and business partners. Data privacy and protection, from this context, are essential sustainability elements for our business.

To ensure that we have the best protection possible against digital incursions, we make regular investments into our cybersecurity infrastructure, and conduct third-party assessments and audits of our security systems and policies. We also have in place a strict privacy policy that details authorised access to data and the appropriate use and handling of customers' confidential data. 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 Bank Negara Malaysia ("BNM") have made financial inclusivity a key national development goal. The aim is to ensure access to quality financial services as well as the means to wealth accumulation through saving for all Malaysians, including those in lower income brackets. Financial inclusivity, along with high-income status and sustainability, are central to the Government's aim of transforming Malaysia into a high-income country.

The LPI Group is a firm supporter of financial inclusivity as articulated in BNM's Financial Sector Masterplan, which stipulates our obligations to fairly price insurance products and make them available to all levels of society. In practice, this entails developing a range of insurance products that is accessible to all Malaysians, especially those in the lower-income brackets. Doing so will in turn offer some degree of financial protection for all Malaysians in the event of crisis or emergency.

OUR MARKETPLACE DEVELOPMENT

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 provided Fire and Personal Accident coverage for as little as RM1.50 and RM3.50 per month respectively, therefore giving affordable basic insurance protection to almost everyone.

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.

We are also making financial inclusivity a strategic aim of our digital transformation plan, and have started offering simple motor and travel insurance through our web portal. These online plans offer straightforward protection and can be offered more cheaply compared to traditional plans because of the cost savings gained from using digital channels. Once fully matured, we expect that our digital ecosystem will have the capability to provide coverage for a broader range of classes at prices affordable to most Malaysians.

FINANCIAL RATING

The strength of our financial rating is a new material matter identified by our stakeholders in 2020. This material matter refers to the overall resilience and strength of our balance sheet, which has become an issue of growing concern owing to the volatility and uncertainty of the operating environment. Our financial rating has a direct bearing on the confidence that our stakeholders have in our ability to ensure the sustainability of our enterprise and also in our ability to meet our value creation obligations.

We discuss our financial strength and rating in much greater detail in our section on Capital Management on page 29 of this report.

CUSTOMER EXPERIENCE MANAGEMENT

Customer experience management is also a new material matter and refers to the level of customer satisfaction with our products and services. This includes their satisfaction with our product range and pricing, our sales and marketing support, claims management as well as the ease of their interaction with our digital channels. While customer satisfaction is already a foremost priority based on our core values, there are practical business considerations for us to continue maintaining customer satisfaction levels at the highest levels, namely the intensifying competition in the general insurance industry.

It must be noted that customer experience is not the end result or product of any one initiative but rather the customer's assessment of our entire value chain of activities. This ranges from the training that we provide to our staff on managing customer relations to our product development to ensure that our products meet customer needs and expectations. We have also noted the importance of efficient claims management to ensuring positive customer experience, as well as the need for ease of navigation on our digital platforms.

OUR
WORKPLACE MANAGEMENT

Our workplace management initiatives are aimed at securing the long-term sustainability of our human capital, namely our employees. As they play an essential role in every one of our value creation activities, it is critical that we recruit the best candidates that we can and that we invest sufficiently in them such that they are able to meet emerging challenges in a highly variable operating landscape. Our initiatives are therefore aimed at not only recruitment but also training and instilling in our employees the right attitude and mindset to succeed at LPI Group.

It is important to note that our talent needs evolve in line with operating conditions and organisational needs. In recent years, with our pivot to digital and the liberalisation of the general insurance industry in the near horizon, we have focused our recruitment on talents who are technologically savvy as well as those with the skills to operate in the new de-tariffed regime. In so doing, our aim is to create a cohort of skilled internal candidates with the expertise to aid us in our transition to digital and to the new liberalised environment.

We are aware of our obligations to our employees in this two-way relationship and take steps beyond remuneration and training to ensure that they have the tools they need to perform their role. We actively manage our workplace to create safe and productive working environments, and put in place policies that are on par with, if not better, than the industry. We value loyalty and dedication as an organisation and reward employees who have displayed such commitment to us. Long-serving staff receive Service Recognition Awards when they reach specific service milestones as a token of appreciation in recognition of employees' loyalty and continued service to the company.

The table below provides a summary of the recipients of the Service Recognition Award up to 2019. In 2020, 77 members of staff were eligible for the award.

	Number of Recipients									
Years of Service	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
45 years	-	-	-	-	-	-	-	1	-	**-**
40 years	1	1	2	-	-	-	-	-	-	**-**
35 years	1	-	-	-	-	2	3	2	5	**1**
30 years	4	4	4	5	1	-	1	3	1	**2**
25 years	1	2	3	1	2	3	7	14	19	**7**
20 years	4	10	16	24	8	15	18	16	7	**13**
15 years	15	23	18	9	14	13	18	22	18	**18**
10 years	15	25	27	18	22	25	18	34	40	**36**
Total	41	65	70	57	47	58	65	92	90	**77**

OUR WORKPLACE MANAGEMENT

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.

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:

Employee Competency	**Employee Welfare Development**
Workplace Diversity	**Workplace Safety**

Employee Competency

The level of competency of our employees has a direct impact on the quality of our value creation activities. Our aim is to ensure that we have skilled and experienced staff at every link of our value chain thereby ensuring that we obtain the best possible outcomes for our stakeholders. The Group employs a range of skillsets, ranging from specialised risk analysts to front-line staff responsible for liaising with customers.

In 2020, we spent RM315,630 on our talent development programme. This figure is substantially lower than our training spend in recent years as we had cut back on training during the year due to the outbreak of Covid-19. While we managed to conduct some of our training online, most programmes were postponed until operating conditions normalised. In addition, BNM, which has a stipulation that insurers spend a total of 3.5% of total wages on training under their Staff Training Expenditure policy for regulated entities, had rescinded the policy for the year owing to the pandemic.

We measure the success of our talent development programme through various headline key performance indicators related to recruitment and retention. These are detailed below:

Target Description	Target	Achievement (2020)	Rationale
Recruiting and developing staff to ensure a pool of competent and qualified personnel	To have 60% of staff hold Bachelor's Degrees or professional qualifications	**46.50%** (2019: 45.39%) (2018: 45.21%)	While we recognise that academic qualifications are not the only determinant of competency, tertiary and professional qualifications are important metrics that help us gauge the general proficiency of our staff.
Staff retention as measured by the staff attrition rate	To lose fewer than 10% of total staff annually	**3.19%** (2019: 5.29%) (2018: 6.23%)	A high attrition rate is suggestive of systemic problems with our Group Human Resource policy. We strive to maintain our attrition rate at below 10% annually.

OUR WORKPLACE MANAGEMENT

Our talent management programme aims to help our employees reach their full potential during their time with us. We monitor the amount of training attended by our employees to ensure that they receive sufficient training and that their performance shows improvement over time. Our targets and achievements are detailed below:

<table>
<tr><th>Target Description</th><th>Target</th><th>Achievement (2020)</th><th>Rationale</th></tr>
<tr>
<td>Comprehensive training and development opportunities for all employees</td>
<td>1. To have at least 60% of staff attend formal training annually

2. To have employees receive on average at least two days or 16 hours of formal training and development annually</td>
<td>92.52% of all employees attended training in 2020*

(2019: 74.57%)
(2018: 67.12%)

Total average hours of training per employee
= 6.59 hours*

(2019: 17.87 hours)
(2018: 16.92 hours)</td>
<td>Heads of Department are responsible to ensure that their staff receive sufficient training. They are subsequently assessed to ensure that employees under their watch have been given the opportunities to develop and progress in the organisation.

* Training in 2020 was affected by the Covid-19 pandemic. Most training programmes were postponed in observation of the MCO's ban on large gatherings.</td>
</tr>
<tr>
<td>Ensuring professional standards and qualifications for employees at the Manager level and above</td>
<td>To have at least 50% of employees at the Manager level in core operations professionally qualified or actively pursuing professional qualifications</td>
<td>2020
<table>
<tr><th>Core Operations</th><th>% Qualified</th></tr>
<tr><td>Total Core</td><td>40%</td></tr>
<tr><td>Underwriting</td><td>53%</td></tr>
<tr><td>Claims</td><td>64%</td></tr>
<tr><td>Accounts & Finance</td><td>78%</td></tr>
<tr><td>Business Development</td><td>26%</td></tr>
<tr><td>Actuarial/ Enterprise Risk Management/ Pricing</td><td>100%</td></tr>
<tr><td>IT</td><td>Not Applicable</td></tr>
</table>
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 & Finance</td><td>78%</td></tr>
<tr><td>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 & Finance</td><td>80%</td></tr>
<tr><td>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 professional qualifications or be presently taking the necessary courses to acquire professional qualifications. To support their efforts, the Group grants full sponsorship for professional qualifications in the areas of insurance, accounting, Information Technology ("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>1.47% growth in productivity year-on-year.

(2019: 2.47%)
(2018: 1.71%)</td>
<td>Staff productivity is measured in terms of gross written premium per employee.

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

OUR WORKPLACE MANAGEMENT

Workplace Diversity

The Group recognises the benefits of having a diverse pool of employees that reflects the multi-cultural makeup of our country. Diversity in the workplace is beneficial to our decision-making and helps ensure that our policies and activities are appropriately tailored for all stakeholders regardless of their ethnicity, religious persuasion or economic background. Diversity also helps broaden our perspectives and introduce new innovations and creative solutions to the challenges we face.

The LPI Group has in place a Workplace Diversity Policy which stipulates considerations 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.

We employ a number of metrics to measure the diversity of our workforce although it is important to note that the primary deciding factor in any hiring decision is the overall qualifications of the candidate in relation to the needs of the Group.

Target Description	Target	Achievement (2020)	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 **35:65** (287 male employees: 528 female employees) (2019: 36:64) (2018: 35:65)	The Group does not discriminate against genders during the recruitment process in recognition of the importance of having representation from both genders. While we strive for balance, we do not make recruitment decisions based on gender.
Achieving gender diversity in leadership positions	To have at least 30% of management and supervisory positions filled by women	Percentage of women leaders: **64.01%** (2019: 63.65%) (2018: 63.54%)	The Group is committed to the empowerment of women in the workforce and provides equal opportunities to women to lead and be promoted based on their performance.
Mothers returning to the workforce	To encourage at least 75% of mothers at management levels to return to work following maternity leave	**100%** (2019: 100%) (2018: 100%)	The Group is committed to helping women balance their roles as both employees and mothers. 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.

OUR WORKPLACE MANAGEMENT

Employee Welfare Development

The Group is committed to the improvement of employee welfare in recognition of their efforts and commitments to our cause and as part of our overall effort to maintain staff morale at high levels. We believe that staff morale is inherently tied to performance, productivity and employee retention, and is thus an important element in securing the sustainability of our human capital. Key policies have been put in place to protect employee rights and these are accorded to all our staff:

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

Our employees also receive preferential treatment from us to help them build better lives. These include:

- Preferential interest rates for housing and car loans
- Interest subsidies on housing and vehicle loans
- Motor insurance coverage

Since 1996, we have issued more than 700 subsidised loans to our employees as part of our overall effort to improve their welfare. We also started subsidising interest payments on vehicle and housing loans taken out by staff in 2014 as part of our welfare programme.

In addition to these privileges, the Group invests in recreational activities for employees through Kelab Sukan Lonpac Insurans, Kuala Lumpur. This employee-focused social club aims to foster stronger team relationships through sporting activities, and gets their families engaged as well. Most activities by the Kelab Sukan Lonpac Insurans were postponed or cancelled in 2020 due to the Covid-19 pandemic.

Employee Conduct

Our employees are expected to conduct themselves with the highest levels of professionalism and ethics in their dealings with customers and other stakeholders. As insurers, our relationship with our customers is built on a foundation of trust which must be upheld by our employees in their engagements with them. Accordingly, the Group has a zero-tolerance policy towards any breach of conduct that could place that relationship of trust in jeopardy. Our expectations of our employees are contained in two key policy guides—our Code of Conduct and our Code of Ethics—both of which are available to all employees in the Group's Document Management System.

Workplace Safety

One of the commitments that we make to our employees is that no one should be harmed or hurt in the course of performing their duties on the Group's behalf. We therefore take all necessary steps to provide a safe workplace for our employees and to assign them with personal protective equipment when necessary. The Group's Health and Safety is governed by the Occupational Safety and Health ("OSH") Committee.

It should be noted that workplace safety became a major concern for us in 2020 owing to the Covid-19 pandemic. As the virus was highly contagious and the illness it caused was potentially fatal for vulnerable groups, the Group decided to implement a work from home policy and flexible working hours to minimise the risk of contagion to our staff. Although we had to keep our main office open because of our status as an essential business, we maintained an optimum workforce as possible at the office while other staff worked from home leveraging on digital technology to carry out their duties.

At the same time, our risk surveyors who would typically conduct their inspections of assets to be insured on-site were advised to conduct remote surveys where possible. Using digital images and video, our risk surveyors were able to conduct assessments without unduly exposing themselves to the risk of contagion while fulfilling their obligations to our stakeholders. In every case, we encouraged our staff to observe the restrictions imposed by the MCO and limit their public movements as much as possible.

OUR WORKPLACE MANAGEMENT

Health and safety metrics are available in the following table:

Target Description	Target	Achievement (2020)	Rationale
Providing a safe working environment for employees	To ensure zero accidents or injuries in the workplace or office areas To secure all offices with security doors with access control	Reported accidents and injuries at: • Head Office: 0 • Branches: 0 All offices have security doors with access control	The OSH Committee investigates and documents every accident or injury occurring in the workplace and updates safety procedures when necessary. We have installed security doors with access control at all our offices to limit access to authorised persons.
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 required to be on-site to consult with clients or to inspect equipment and premises are issued with PPE as and when necessary. 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.
Fully observe 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 an Emergency Evacuation Route Map on every floor.
Providing employee medical coverage	To provide medical coverage for all staff and their dependents	As at 31 December 2020, total medical costs for staff and their dependents totalled 0.40% of the LPI Group's Profit Before Tax, as compared to 0.43% in 2019.	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 accident. 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.

While we would typically hold regular training sessions on workplace safety for our employees as a matter of course during the year, we postponed or cancelled sessions planned for the year owing to the uncertainty caused by the Covid-19 pandemic.

OUR COMMUNITY DEVELOPMENT

As an insurer and a Malaysian-owned company, the Group is invested in the well-being and development of local communities. A well-supported community is better able to achieve its ambitions, with long-term benefits including greater sense of fulfilment, sustainability and economic viability. These align with our business interests as community investment is not supplementary to our core function of value creation, but a natural extension of it.

Our Community Development pillar addresses our social role in the larger community and the contribution we can make through our presence and engagement. Over the years, the LPI Group has worked on several Corporate Social Responsibility ("CSR") initiatives which had previously been reported separately as part of our Sustainability Report. In this integrated annual report, we are reporting our CSR initiatives as part and parcel of our overall report as they are important sources of value for our community stakeholders.

SOCIAL RESPONSIBILITY

Being an active member of this community obligates us to play our part by improving the lives and living conditions of those around us. Our endeavours in this respect go beyond caring for the physical or social welfare of underprivileged or less fortunate Malaysians. They also encompass safety awareness campaigns as well as encourage the community in its pursuit of personal goals or active lifestyles through our sponsorship of educational and athletic events.

We pledge a substantial portion of our charitable giving to organisations that are committed to enriching the lives of those who face obstacles and challenges daily, as well as associations dedicated to the development and nurturing of youths. Empowerment in these areas, among others, aids in the fulfilment of community members who can then better play their part in creating the world they want to live in.

Likewise, we strive to do the same with a culture of personal participation in our many community programmes. This hands-on approach is greatly anticipated by all staff but the precautions and safety measures initiated to battle the Covid-19 pandemic necessitated the cancellation of several planned events. While we look forward to the day when we may resume the full extent of our community activities, we strived to make an impact this year through the channels open to us.

Our key activities for 2020 include:

- Organising the placement of recycle bins at our Head Office to collect recyclables from staff. Lovely Disabled Home, a charity organisation that provides job opportunities for those with special needs, subsequently collected and sold these recyclables to fund part of its expenses.
- Contributing RM76,924 towards the Persatuan Insurans Am Malaysia Relief Fund for Covid-19 in support of the Ministry of Health's efforts to increase Covid-19 testing for Malaysians. The fund contributed to fixed cash reimbursements for the cost of tests incurred by policyholders and takaful participants.
- Sponsoring meals for quarantined patients in Hospital Sentosa, Kuching (PUI) during the recent Covid-19 Pandemic.
- Participating in the Earth Hour movement organised by the World Wide Fund for Nature as an extension of support for environmentally-sustainable action. Staff were also encouraged to participate in the cause from home with their families.

OUR COMMUNITY DEVELOPMENT

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

- Persatuan Kebajikan Sri Eden Selangor dan Kuala Lumpur
- Hospis Malaysia for its Virtual Charity Treasure Hunt 2020
- Lovely Disabled Home through purchase of sports socks produced by the home
- Rotary Club of Seberang Jaya for its Chinese New Year celebration
- Persatuan Kanak-Kanak Istimewa Hulu Langat for its Fund Raising Charity Dinner 2020
- Berita Kesatuan Pekerja Bomba dan Penyelamat Malaysia for its Special Issue Fire Safety Awareness Campaign
- Fund Fong Middle School Melaka's 107th Anniversary celebration
- Dindings Poultry Processing Sdn Bhd for its 'Ayam Cares, Ayam Dindings' charity campaign
- Prior to the cancellation of several sporting events, we also supported the below to encourage activity lifestyles and participation in sport:
    - Sarawak Lawn Tennis Association for the 35th Sarawak Chief Minister's Cup (I) ITF World Tennis Tour J1 Sarawak
    - Kelab Rugby Eagles, Sandakan, for the Borneo Sevens 2020 Tournament
    - Seri Mengasih Centre for the Seri Mengasih Heroes Run 5.0

OUR
ENVIRONMENTAL CONSERVATION

The insurance industry's environmental impact is relatively low in the larger commercial context. The Group has long made it a point to keep abreast of best practices in every aspect of business, which naturally translates to more eco-friendly solutions as the incorporation of technology increases. However, climate change is an inescapable truth that demands the participation of all to prevent further environmental destruction or loss of resources. We therefore have a vested interest in proactively advancing the mission and goals of environmental conservation and resources management through internal best practices and value creation for stakeholders.

In addition to the environmental conservation advocacy roles that we play through our staff activities (postponed or cancelled in 2020 because of the pandemic), we also monitor closely the resources that we use that may have an impact on our environmental footprint. Of the various activities over which we have control, a key area of interest over the past few years is the amount of paper that we use in carrying out our activities. The insurance business relies heavily on documentation and traditionally this has translated into significant paper usage.

To reduce our impact in this area, we have increased our emphasis on digitalising aspects of our business including making payments via Electronic Credit Payment ("ECP") rather than traditional cheques and issuing digital insurance policies. The table below displays the trend data of the increasing usage of ECP over paper cheques where almost 100% of all payments that we make in Malaysia are now transacted through electronic means. We will be working on increasing the figure in Singapore.

	2020		2019		2018	
Mode	**No. of records**	**%**	**No. of records**	**%**	**No. of records**	**%**
ECP						
- Malaysia	**158,400**	**99**	171,781	98	156,253	98
- Singapore	**2,333**	**32**	3,847	42	2,214	31
Cheque						
- Malaysia	**1,594**	**1**	3,084	2	3,102	2
- Singapore	**4,937**	**68**	5,413	58	4,981	69

Meanwhile, we have also seen a general decline in the ratio of paper that we use over the number of documents issued. While there was a spike in the previous year owing to the introduction of new taxation measures, we had seen the number fall significantly in 2020. The decline is due mainly to a business decision to no longer issue printed policies for our bancassurance customers. It is important to note that this does not affect the level of protection or convenience enjoyed by our customers.

OUR ENVIRONMENTAL CONSERVATION

Paper Usage	2020	2019	2018
Total issued documents ('000)	2,124	2,058	2,051
Total paper volume (Reams)	31,056	45,345	42,355
Ratio (Reams per 1,000 issued documents)	14.62	22.03	20.65

Moving forward, we will explore other means to further reduce our paper usage and explore other environmental conservation-related initiatives that we can support and facilitate in our organisation.

SUSTAINABILITY GOALS MOVING FORWARD

In the preparation of this first integrated annual report, LPI Group noted that there were areas of improvement that could have helped improve the overall comprehension and the navigation of this document. Specifically, we felt that there could be clearer connections between our sustainability material matters and our value creation activities showing the way that our activities address said material matters. While efforts have been made to achieve that integration in this report, SIRC believes that this area could be further improved by refining our list of material matters to address operational elements within the Group.

SIRC has also undertaken to consider the possibility of adopting a secondary framework to enhance the comparability of our report with other insurers from around the world. Specifically, we are looking at integrating the framework stipulated by the Sustainability Accounting Standards Board ("SASB"), which provides disclosure guidance that is tailored specifically for the insurance industry. Other standards may also be considered over the next year to further improve our reporting practice.

Finally, given the severity of the impact of the Covid-19 pandemic in 2020, our future sustainability reports may include an assessment of our preparedness in the face of another similar event. While the likelihood of another pandemic may be small, we believe that the events of 2020 have shown that they represent a credible risk that is deserving of special preparation for the future. In so doing, we hope to build another layer of protection into our organisation that will mitigate the impact of future events.

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

OUR
BOARD DIVERSITY

BOARD DIVERSITY

The diversity and skills of the Board ensure that LPI Capital Bhd is steered to deliver growth to all our stakeholders.

- 2 Non-Independent Non-Executive Directors
- 5 Independent Non-Executive Directors
- 1 Executive Director

LENGTH OF TENURE

1-5 Years	6-10 Years	>10 Years
2	2	4

GENDER

Male	Female
5	3

OUR BOARD

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

IC

MR. TEE CHOON YEOW
Independent Non-Executive Co-Chairman

AC NRC RMCC

MR. TAN KOK GUAN
Chief Executive Officer/ Executive Director

IC

MR. LEE CHIN GUAN
Independent Non-Executive Director

AC NRC RMCC

AC *Audit Committee* NRC *Nomination & Remuneration Committee* RMCC *Risk Management & Compliance Committee* IC *Investment Committee*

OUR BOARD DIVERSITY

OF DIRECTORS

MR. QUAH POH KEAT
Non-Independent Non-Executive Director

NRC RMCC

MS. CHAN KWAI HOE
Independent Non-Executive Director

AC NRC RMCC

MS. SOO CHOW LAI
Independent Non-Executive Director

AC RMCC

DATO' CHIA LEE KEE
Independent Non-Executive Directorr

AC RMCC

Chairman *Member*

BOARD SKILLS MATRIX AND EXPERIENCE

TAN SRI DATO' SRI DR. TEH HONG PIOW
ENTREPRENEURSHIP, BANKING, INSURANCE & INVESTMENT

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 & INVESTMENT

DATO' CHIA LEE KEE
CORPORATE GOVERNANCE

WHO GOVERNS US

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

90, Male
Malaysian

Date of Appointment
27 September 1971

Number of Board Meetings attended in the Financial Year:

5/5

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 90, 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.

Qualifications

Tan Sri Dato' Sri Dr. Teh 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.

Experience

Tan Sri Dato' Sri Dr. Teh is a banker by profession. He began his banking career in 1950 and has 71 years' experience in the banking and finance industry. He founded Public Bank Berhad in 1965 at the age of 35. He had served in various capacities in public service bodies in Malaysia.

Tan Sri Dato' Sri Dr. Teh 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.

WHO GOVERNS US

Awards and Accolades

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
- 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.

Tan Sri Dato' Sri Dr. Teh had received the "Outstanding Contribution in Promoting "Excellence at Work" and in Strengthening Trade Union in 2019" award from the Vietnam Banking Trade Union in recognition of Tan Sri Dato' Sri Dr. Teh's extraordinary contribution towards establishing and sustaining a strong corporate culture and promoting the well-being of all employees of Public Bank Vietnam Limited.

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 Berhad into a modern and integrated financial institution, and for his outstanding contribution to the growth of the financial services industry of Malaysia.

Present Directorship in other Companies

Tan Sri Dato' Sri Dr. Teh 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 (a public company listed on the Stock Exchange of Hong Kong), Public Bank (Hong Kong) Ltd, Cambodian Public Bank Plc; 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.

Board Attendance

Tan Sri Dato' Sri Dr. Teh attended all the 5 Board Meetings which were held during the financial year ended 31 December 2020.

WHO GOVERNS US

MR. TEE CHOON YEOW Independent Non-Executive Co-Chairman/ Senior Independent Director *B.Com.; CA (NZ); CA (M'sia); FCPA (Aust)*		**Number of Board Meetings attended in the Financial Year:**
68, Male Malaysian	Date of Appointment **29 October 1991**	**5/5**

Mr. Tee Choon Yeow, aged 68, male, was appointed to the Board of the Company on 29 October 1991. He is also a Non-Independent Non-Executive Director (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 & Compliance Committees of the Company and a member of the Audit Committee of the Company.

Qualifications

Mr. Tee holds a Bachelor's Degree in Commerce from the University of Canterbury, New Zealand. 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.

Experience

Mr. Tee joined the Company as an Accountant in 1980. He was the Chief Executive Officer/ Executive Director of the Company until he retired in 2013 and thereafter served as a 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.

Board Attendance

Mr. Tee attended all the 5 Board Meetings which were held during the financial year ended 31 December 2020.

MR. TAN KOK GUAN Chief Executive Officer/ Executive Director *Chartered Insurer* *B.Sc. (Hons.); MBA; ACII; AMII*		**Number of Board Meetings attended in the Financial Year:**
64, Male Malaysian	Date of Appointment **29 October 1996**	**5/5**

Mr. Tan Kok Guan, aged 64, male, was appointed to the Board of the Company on 29 October 1996. 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.

Qualifications

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.

Experience

Mr. Tan 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.

Present Directorship in other Companies

Mr. Tan is the Chairman of Campu Lonpac Insurance Plc, an associate company. He is also currently a member of the Board of the Malaysian Insurance Institute.

Board Attendance

Mr. Tan attended all the 5 Board Meetings which were held during the financial year ended 31 December 2020.

WHO GOVERNS US

MR. LEE CHIN GUAN

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

62, Male Malaysian	Date of Appointment **8 October 2015**	**Number of Board Meetings attended in the Financial Year:** **5/5**

Mr. Lee Chin Guan, aged 62, 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. Presently, Mr. Lee serves as Chairman of the Audit Committee and a member of the Risk Management & Compliance and Nomination & Remuneration Committees of the Company.

Qualifications

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.

Experience

Mr. Lee was a Director of the Company from May 1995 to October 2007. As Mr. Lee had left the Board of LPI for 8 years from October 2007 to October 2015, he is deemed as INED commencing his appointment from 8 October 2015 as advised by Securities Commission.

Present Directorship in other Companies

Mr. Lee is a Director of Public Bank Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad; Public Financial Holdings Ltd (a public company listed on the Stock Exchange of Hong Kong), Public Bank (Hong Kong) Ltd, Public Finance Ltd and Public Bank Vietnam Ltd.

Board Attendance

Mr. Lee attended all the 5 Board Meetings which were held during the financial year ended 31 December 2020.

MR. QUAH POH KEAT

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

68, Male Malaysian	Date of Appointment **2 January 2009**	**Number of Board Meetings attended in the Financial Year:** **5/5**

Mr. Quah Poh Keat, aged 68, 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 & Compliance Committees of the Company.

Qualifications

Mr. Quah 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.

Experience

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.

He 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.

Present Directorship in other Companies

Mr. Quah is a Director of Public Mutual Berhad, Public Financial Holdings Ltd (a public company listed on the Stock Exchange of Hong Kong), 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.

Board Attendance

Mr. Quah attended all the 5 Board Meetings which were held during the financial year ended 31 December 2020.

WHO GOVERNS US

MS. CHAN KWAI HOE

Independent Non-Executive Director

BEc (Hons) Analytical Econs

64, Female

Malaysian

Date of Appointment

1 July 2015

Number of Board Meetings attended in the Financial Year:

5/5

Ms. Chan Kwai Hoe, aged 64, 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 & Compliance Committees of the Company.

Qualifications

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

Experience

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.

Board Attendance

Ms. Chan attended all the 5 Board Meetings which were held during the financial year ended 31 December 2020.

MS. SOO CHOW LAI

Independent Non-Executive Director

BA Econs (Hons)

68, Female

Malaysian

Date of Appointment

1 August 2018

Number of Board Meetings attended in the Financial Year:

5/5

Ms. Soo Chow Lai, aged 68, 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 & Compliance Committees of the Company.

Qualifications

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

Experience

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 and property management. She also travelled widely for business development both locally and internationally and 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.

Board Attendance

Ms. Soo attended all the 5 Board Meetings which were held during the financial year ended 31 December 2020.

WHO GOVERNS US

DATO' CHIA LEE KEE

Independent Non-Executive Director
FCIS (CS) (CGP)

67, Female Malaysian	Date of Appointment **18 January 2021**	**Number of Board Meetings attended in the Financial Year:** **N/A**

Dato' Chia Lee Kee, aged 67, female, was appointed to the Board of the Company on 18 January 2021. Presently, Dato' Chia serves as a member of the Audit and Risk Management & Compliance Committees of the Company.

Qualifications

Dato' Chia is a Chartered Secretary & a Chartered Governance Professional and is a Fellow of The Malaysian Institute of Chartered Secretaries and Administrators.

Experience

Dato' Chia had served Public Bank Berhad for more than 42 years, involving 12 years in credit and credit control functions, and 30 years in various Management and Senior Management positions in Public Bank Berhad.

Dato' Chia had served as the Company Secretary of Public Bank Berhad for 24 years. She had also served as the Company Secretary of several Malaysian and overseas subsidiaries of Public Bank Berhad. She was a member of the Board of several subsidiaries of Public Bank Berhad.

Dato' Chia had participated in various corporate exercises of Public Bank Berhad such as the listing of its subsidiary on the Main Board of Bursa Malaysia Securities Berhad, and its merger with several financial institutions.

Dato' Chia is experienced in the corporate governance requirements of Bank Negara Malaysia, Bursa Malaysia Securities Berhad and other relevant authorities, including corporate governance, standards and practices laid down by the regulatory authorities.

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.

MS. KONG THIAN MEE

Company Secretary
FCIS (CS) (CGP)

51, Female Malaysian	Date of Appointment **1 August 2000**

Ms. Kong Thian Mee, female, aged 51, 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.

Qualifications

Ms. Kong is a Chartered Secretary & a Chartered Governance Professional and is a Fellow of The Malaysian Institute of Chartered Secretaries and Administrators.

Experience

Ms. Kong has more than 25 years experience in Secretariat and Human Resource. Presently, she oversees Secretariat, Human Resource and Training matters. She is also the Company Secretary of an associate company, Campu Lonpac Insurance Plc.

WHO LEADS US
KEY SENIOR MANAGEMENT

TAN KOK GUAN
Chief Executive Officer/ Executive Director
(LPI Capital Bhd)

64, Male Malaysian	Date Appointed to Senior Management **1 March 1994**

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

LOOI KONG MENG
Chief Executive Officer/ Executive Director
(Lonpac Insurance Bhd)

61, Male Malaysian	Date Appointed to Senior Management **1 February 2008**

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).

CHUANG CHEE HING
Deputy Chief Executive Officer
(Lonpac Insurance Bhd)

58, Male Malaysian	Date Appointed to Senior Management **1 January 2013**

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)

TECHNICAL

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

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

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

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

Lee Wai Khong
B. Sc.
Manager – Pricing

DISTRIBUTION

Yow Kai Fook
B. Chem. Eng.
Chief Distribution Officer
Agency, Financial Institution, Broking, Global Partnership, Customer Service and Digital Business

BRANCHES

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

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

INTERNAL AUDIT

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

CONTROL

Vijayan a/l Ramanjulu
LLB
Chief Compliance Officer

Lee Chiew Lai
B. Sc.
Chief Risk Officer

Jonathan Ng Hong Ping
MBA (i), CISSP, CISA, PMP, CRISC, ITIL
Chief Information Security Officer

SUPPORT

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

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

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

Katherine Ooi Seok Peng
DES
Manager – Administration

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

High standards of corporate governance, our vision, corporate mission and core values and the relationships between the Company and our stakeholders have never been more important. The Board of Directors ("Board") is committed to maintaining the highest standards of corporate governance across the Group to support the delivery of our strategy, positive stakeholder relationships and the creation of long-term sustainable value for our shareholders.

TRUST AND ACCOUNTABILITY AS

WE PUT OUR CUSTOMERS FIRST

We go above and beyond. We want our customers to have a great experience and be treated fairly. And if things are less than perfect, we take complaints seriously and learn from them. We treat them fairly and we support them at every step of their journey. We will advocate for their health and wellbeing by promoting healthy lifestyles and workplaces, delivering truly outstanding, personalised customer experiences.

Read more on how we protect our customers on page 7.

WE STAY SAFE AND WELL

We look out for each other. Safety, health and wellbeing are vital. Each one of us is responsible for doing everything we can to protect and promote wellbeing. We keep people healthy and safe. We promote a culture of zero-harm, we follow health and safety policies and procedures and we make sure everyone has the training and tools they need to do their jobs safely. We understand the role each and every one of us can play in protecting our health, safety and wellbeing.

Read how we responded to the Covid-19 environment throughtout our narratives.

WE KEEP INFORMATION SAFE

Information is key to our business and we are trusted to keep it safe. Everyone at LPI Capital Bhd ("LPI") has responsibility for looking after information. From customer data to financial information, from confidential information, from our business partners to Human Resource records about each other, we understand its value and we protect it all. We make sure we only use it in the right way. Because we understand that keeping information safe is about protecting our customers, our colleagues and LPI.

Read more on our Privacy Policies on page 62.

OUR 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Strong governance and risk management are keys to achieving our vision of being the preferred insurance solutions provider. The Board's role is to provide clear leadership in setting strategy and risk appetite, and to oversee Management's implementation of that strategy within a prudent and effective governance and risk management structure. The following pages explain how the Board and its Committees achieve this. This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report 2020, which details our commitment to applying the Principles of the Malaysian Code on Corporate Governance, 2017 ("MCCG 2017").

The Corporate Governance Report is available on our corporate website at: www.lpicapital.com.

KEY DRIVERS TO VALUE CREATION

WE WORK TO HIGH PROFESSIONAL STANDARDS

To give the best quality advice we need great people. So we make sure that our knowledge, qualifications, skills and experience meet our customers' needs and the standards of our profession. We are a professional and competent organisation. We understand that we need to be fit to practise. For many roles we need to be accredited (licensed) for the service we provide. So we make sure we have completed all the trainings that are required of us and always follow the Group's policies and procedures. And we participate in continuing professional development to keep up-to-date with the latest changes in our industry and our profession.

Read more on how we encourage professionalism in the industry on pages 66 & 68.

WE ACT ETHICALLY

LPI people do business in the right way. We do not give bribes, we do not accept bribes and we do not allow anyone to do so on our behalf. We want to be recognised for earning business and giving business to others fairly. So we do not allow bribery or corruption in any circumstances. To protect LPI, we never compromise our zero-tolerance approach to bribery and corruption.

We ensure transparent and accountable procedures are in place, to procure & select suppliers and contractors and we ensure they are made very well aware of these procedures.

Read more on our Anti-Bribery & Corruption Policy ("ABC Policy") and Anti-Fraud Policy at https://www.lpicapital.com/about-us/our-best-practices and Whistle-Blowing Policy at https://www.lpicapital.com/contact-us/whistle-blowing.

WE DECLARE CONFLICT

We avoid situations where our personal interests, loyalties and relationships could affect – or be seen to affect – our choices for LPI and our customers. And we are aware of how things can look. So we declare any conflicts of interest straight away. We want our customers and suppliers to trust us to do business fairly. So we make choices based on what is right for LPI and our customers – not on what is right for ourselves or our partners.

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

PRINCIPLE A LEADERSHIP AND EFFECTIVENESS

The Board and Its Committees at a Glance

ROLE OF THE BOARD

The primary responsibility of the Board is to provide effective leadership to ensure that it promotes the long-term sustainable success of the Company, generating value for our shareholders and other stakeholders, and contributing to wider society. The Board, supported by its committees, provides leadership within a framework of prudent and effective controls.

The Board sets annual objectives for the business in line with the current Group strategy and monitors achievement against these objectives through regular reports. Updates to the Board from the Chief Executive Officer/ Executive Director, the Chief Financial Officer and other members of senior management are scheduled in respect of all material business matters to ensure that progress against strategy is monitored.

Through regular review of the Board's rolling agenda and previews of each Board meeting's agenda, the Chairman and Co-Chairman ensure sufficient time is allowed for discussion and debate and ensures the provision of timely, accurate and clear information.

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.

Name	Designation	Tenure	Date of Appointment
Tan Sri Dato' Sri Dr. Teh Hong Piow	Non-Independent Non-Executive Chairman	49	27 September 1971
Mr. Tee Choon Yeow	Independent Non-Executive Co-Chairman/ Senior Independent Director	29*	29 October 1991
Mr. Tan Kok Guan	Chief Executive Officer/ Executive Director	24	29 October 1996
Mr. Lee Chin Guan	Independent Non-Executive Director	5	8 October 2015
Mr. Quah Poh Keat	Non-Independent Non-Executive Director	11	2 January 2009
Ms. Chan Kwai Hoe	Independent Non-Executive Director	5	1 July 2015
Ms. Soo Chow Lai	Independent Non-Executive Director	2	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 Non-Independent Non-Executive Director of the Company.

He 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.

5 DIRECTORS HOLDING ONE LISTED DIRECTORSHIP

2 DIRECTORS HOLDING TWO LISTED DIRECTORSHIPS

1 DIRECTOR HOLDING FOUR LISTED DIRECTORSHIPS

BOARD COMPRISES **62.5%** INDEPENDENT DIRECTORS

100% BOARD AND COMMITTEE ATTENDANCE RATE

300 HOURS OF BOARD AND COMMITTEES COMMITMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE DIVISION OF RESPONSIBILITIES

No individual director or small group of directors is able to dominate the Board's decision-making. Role statements define the separation of responsibilities between the Chairman and Chief Executive Officer and provide a mandate to independent non-executive directors to debate and challenge strategy, execution and performance and bring an independent, objective opinion.

BOARD COMMITTEES STRUCTURE AND MEMBERSHIP

In order that it can operate efficiently and give the right level of attention and consideration to relevant matters, the Board delegates authority to its Board Committees, as set out below. Formal minutes recording the decisions of all Board and committees meetings are prepared and circulated to the relevant members. If a director objects to a particular decision, this is recorded in the minutes of the relevant meeting. If a director is unable to attend a meeting, their views are canvassed by the Chairman of the Board or committee prior to the relevant meeting, and the Board or committee is informed of their opinions and observations. Following each committee meeting, the minutes of each Board Committee meeting is tabled to the Board ensuring that all directors are aware of the deliberations and challenges on relevant topics and specific matters. The composition of each committee is reviewed by the Nomination & Remuneration Committee ("NRC") annually and whenever there is a change to the Board.

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

The Board had on 18 January 2021 appointed Dato' Chia Lee Kee as Independent Non-Executive Director and a member of the Audit Committee and Risk Management & Compliance Committee of the Company. The Company has met the minimum 30% women directors on Board with the appointment of Dato' Chia.

Non-Executive Directors meet up separately annually without any executives present.

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.

SUPPLY OF INFORMATION

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 make 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 the 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

PRINCIPLE A LEADERSHIP AND EFFECTIVENESS

The Board in Action

KEY MATTERS	GROUP'S KEY ACTIVITIES IN 2020
STRATEGY	• Review and approve Lonpac's business plan together with the budget and the implementation thereof. • Review and approve the Treaty Reinsurance Programme.
FINANCIAL	• Review and approve the Director's Report and Audited Accounts for the financial year ended 31 December 2020. • 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
RISK MANAGEMENT AND INTERNAL CONTROL	• Review and approve the Statement of Internal Control and 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 Plan • Review and approve the following reports for submission to the Monetary Authority of Singapore:- - Outsourcing register - Own Risk and Solvency Assessments
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 revised policy and procedures for the Group. • Review and approve the assessments by the NRC on the performance and effectiveness of the Board, Board Committees, individual Directors and independent directors. • Review and approve the assessments by the NRC on the performance of Key Responsible Persons and the Company Secretary. • Review and approve the assessment by the NRC on the term of office of the Audit Committee members.
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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

- Note the Flood & Earthquake Report, Risk Profile & Capital Adequacy Report and IT Vulnerability Assessment Report.
- Note the risk assessment report on high impact projects.
- Note Appointed Actuary's independent review on product pricing.

- Recommend the re-appointment of the Group's external auditor for the financial year ending 31 December 2021 and for the Directors to fix their remuneration.

- 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.

PRIORITIES FOR 2021

STRATEGY

- To continue building a sustainable, profitable and balanced portfolio of business through our existing channels/ partners and exploring non-traditional channels.
- To hasten the digital transformation plans to improve efficiency, productivity and developing business from e-channel without direct conflict with our traditional channels.
- To further develop capabilities of our staff and also our agents through training target and recruitment programmes.
- To further prepare, fine-tune and stream-line our operational capabilities for any future disruptive events.

FINANCIAL

- Ensure Lonpac is well prepared and the progress is on track for the implementation of MFRS 17, Insurance Contracts in Year 2023.
- Ensure the Group is able to generate optimum investment returns in the current low interest rate environment with tolerable risks.
- The Group will continue to strengthen its capital position and generate good returns to its shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL

- Ensure all material risks of the Group are managed appropriately through continuous monitoring and reporting process.
- Strengthening of anti-bribery practices through continuous trainings and monitoring of the Group's activities.
- Strengthening data privacy and protection.
- Ensure the Group is maintaining sufficient capital to support the long-term business growth.

GOVERNANCE, LEADERSHIP & PEOPLE

- At a macro level:
  - (i) Continuously indoctrinate good ethical business practices among directors, employees, service providers and other business partners.
  - (ii) Uphold highest standard of integrity and accountability in discharging our duties and whilst ensuring all activities, offer or services are conducted in compliance with ABC Policy and all other applicable legal and regulatory requirement on anti-bribery and anti-corruption.
- At a micro level:
  - (i) Periodically review our ABC Policy taking into account relevant developments in the law as well as industry to ensure the efficiency and effectiveness of the policy is maintained.
  - (ii) Monitor regular risk assessments (via Enterprise Risk Management) to identify the bribery and corruption risks potentially affecting the Company.
  - (iii) Ensure all employees are aware and familiar with the ABC Policy and the consequences of non-compliance (conduct trainings).
- Roll out more virtual trainings to reach out to more employees nationwide as it is convenient, flexible and cost effective. Such mode of delivery of training will also enable the employees to be more digital savvy in line with the Company digitalisation roadmap.
- Explore e-learning as an alternative learning tool to complement instructor lead training. E-learning will enable bite-sized courses on a variety of topics to be made available to employees to gain knowledge and exposure and employees can learn at their own pace. Due to its convenience and flexibility, the resources are available from anywhere and at any time.
- Motivate employees to upskill and acquire relevant professional qualification.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A LEADERSHIP AND EFFECTIVENESS

NOMINATION & REMUNERATION COMMITTEE

The NRC 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.

NRC ENSURES 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 NRC, 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.

NRC ACTIVITIES IN YEAR 2020

The NRC had undertaken the following responsibilities in accordance with its terms of reference during the year under review:

- Facilitate annual assessment and review the performance of individual Directors, effectiveness of the Board as a whole and various Board Committees and satisfied that the individual directors, the Board and the various Board Committees have discharged their duties effectively according to the Board Charter and respective Board Committees' terms of reference.
- Facilitate the Board on the annual review of the overall composition of the Board and Board Committees and satisfied that the Board is optimum and that there is appropriate mix of diversity (including age and gender), knowledge, skills, experience, expertise, attributes and core competencies in the Board's composition.
- Conduct assessment on Directors who are subject to re-election by rotation pursuant to Companies Act, 2016 and recommend to the Board for approval.
- Perform annual assessment on Directors, Chief Executive Officer/ Executive Director and Company Secretary to ensure that they fulfilled fit and proper requirements as stated in the Policy and Procedure on Fit and Proper.
- Note the annual declaration on fitness and propriety by the Directors and Company Secretary.
- Conduct annual assessment on Independent Directors for recommendation to the Board.
- Assist the Board in assessing the training needs of the Directors and review the trainings attended by the Directors during the year.
- Review the term of office and performance of the Audit Committee and each of its members and recommend to the Board for re-appointment in year 2021.
- Review and recommend the proposed remuneration for Directors, Chief Executive Officer/ Executive Director, Management who are Key Responsible Persons and Company Secretary to the Board for approval.
- Review and recommend the renewal of employment contract of Chief Executive Officer/ Executive Director.

NRC PRIORITIES FOR 2021

- Facilitate annual assessment and review the performance of individual Directors, effectiveness of the Board as a whole and various Board Committees.
- Facilitate the Board on the annual review of the overall composition of the Board and Board Committees.
- Conduct assessment on Directors who are subject to re-election by rotation pursuant to Companies Act, 2016 and recommend to the Board for approval.
- Perform annual assessment on Directors, Chief Executive Officer/ Executive Director, Management who are Key Responsible Persons and Company Secretary to ensure that they fulfilled fit and proper requirements as stated in the Policy and Procedure on Fit and Proper.
- Conduct annual assessment on Independent Directors for recommendation to the Board.
- Assist the Board in assessing the training needs of the Directors and review the trainings attended by the Directors during the year.
- Review the term of office and performance of the Audit Committee and each of its members and recommend to the Board for re-appointment in year 2022.
- Review and recommend the proposed remuneration for Directors, Chief Executive Officer/ Executive Director, Management who are Key Responsible Persons and Company Secretary to the Board for approval.
- Review and recommend the renewal of employment contract of Chief Executive Officer/ Executive Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMPOSITION + SUCCESSION PLANNING

The NRC 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. Additionally, the Board has put in place a Board Succession Plan Policy to assist NRC to identify suitable candidates ahead of time in order to facilitate a rapid response to an anticipated retirement or unanticipated departure of directors; and to 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 identified gaps.

APPOINTMENT AND RE-ELECTION

The NRC ensures that there is a formal, transparent Board nomination process prescribed in a policy that details procedures for an appointment to the Board.

How the Policy works:

- Should there be 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 Board will consider 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 recommendations from the NRC, 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 BNM'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.

EVALUATING THE BOARD

The Board undertakes a formal review of its performance and that of its Board Committees each year. Board members were required to review and complete a comprehensive questionnaire. The aim of the review was to assess the effectiveness of the Board, both as a collective unitary Board, and at individual Board member level, in order to implement any actions required to become a more effective Board. The performance of each of the Board Committees was also assessed.

The review focused in particular on the following areas:

- Board composition, expertise and dynamics;
- strategic and performance oversight;
- succession planning and human resource management; and
- priorities for change.

The results of the review were very positive. Through the 2020 Board evaluation process, the Board confirmed it has the appropriate balance of skills, experience, independence and knowledge to enable it and its committees to discharge their duties and responsibilities effectively. Respondents unanimously concurred that the Board had performed well over the year and was operating effectively.

The Chairman confirmed that the individual Directors' performance continued to be effective and demonstrated commitment to the role.

Taking into consideration the Directors' time commitment and performance on the Board and its committees, the Board concluded that all the Directors continued to be effective, devoted sufficient time to discharging their duties and made valuable contributions to the Board.

EVALUATION

Board adopts a formal peer evaluation process	Board reviews Board and Committee meetings	Preliminary findings discussed with Chairman or Co-Chairman
Report issues and discussed at Board	Actions for 2021 agreed	Action monitoring to take place

OUTCOMES AND IMPLEMENTATION

PROFESSIONAL TRAINING AND INDUCTION

The Board believes that continuous director training and development is important to maximise the effectiveness of the Board. The Chairman is assisted by the Company Secretary in providing all new directors with a comprehensive induction programme on joining the Board. This is tailored to the knowledge and experience of the new directors, and includes meeting with Chief Executive Officer and Group's key leaders. This ensures new directors obtain a detailed insight of the Group, its businesses and governance framework as well as the regulatory macro environment in which it operates.

In addition, all Board members receive continuing education and development at regular intervals throughout the year. Board and Board Committees' meetings are used regularly to update the Board on developments in the areas in which the Group operates, and specific training sessions for directors are scheduled for key topical issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A LEADERSHIP AND EFFECTIVENESS

REMUNERATING FAIRLY

The NRC 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 NRC and the Board ensure 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. For employees, the remuneration philosophy and strategy is aligned to the long-term interests of the Company, its business strategy and performance. The remuneration framework is designed to promote sound and effective risk management in line with the Company's risk profile. The remuneration principles, applied consistently across the Group, that the NRC follows are:

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.

FOR DIRECTORS

- Salaries payable to Executive Directors shall not include a commission on or percentage of turnover;

  The remuneration packages for Executive Directors should involve a balance between fixed and performance-linked elements. The relative weightage of fixed and variable remuneration for target performance varies with 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.

- 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 NRC. In this regard, the Chairman of the Board shall be remunerated with a higher retainer fee to reflect the additional responsibilities assumed by him.

- 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.

FOR EMPLOYEES

- 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), benefit (fixed), performance bonus (variable) and deferred extraordinary bonus (variable).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

OUR SUSTAINABILITY GOVERNANCE STRUCTURE

The LPI Group's sustainability practice is overseen by the Sustainability and Integrated Reporting Committee ("SIRC"). The roles of the SIRC include directing, managing, and overseeing the sustainability activities of the Group, and reporting its findings to the Board. The Board is represented on the SIRC by a director who is appointed as Chairman of the SIRC. Other senior management of the Group including Lonpac's Chief Executive Officer ("CEO") and Deputy CEO also sit on the SIRC.

Roles of the SIRC

The SIRC 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 SIRC develops new initiatives, obtains Board endorsement for the Group's sustainability policy, and measures initiative outcomes against Key Performance Indicators ("KPIs"). The SIRC's roles are specified in greater detail below:

IDENTIFY MATERIAL INDICATORS

The SIRC 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 Economic, Environmental, and Social footprint or on any of the Group's identified stakeholders.

LIAISE WITH THE BOARD

The SIRC is responsible for obtaining the Board's endorsement of the Group's sustainability vision and strategy. In particular, the SIRC 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 SIRC 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 SIRC 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 SIRC 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 SIRC 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B ACCOUNTABILITY

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board oversees the Group's risk management and internal control systems. It has complied with the Code by establishing a continuous process for identifying, evaluating and managing emerging and principal risks the Group faces.

The Board has established a management structure with defined lines of responsibility and clear delegation of authority. This control framework cascades through the divisions and central functions, detailing clear responsibilities to ensure the Group's operations have appropriate controls. This includes controls relating to the financial reporting process.

The framework for risk management and internal control was in place for the financial year under review and up to the date of this report.

The Board, with the assistance of the Board Risk Management & Compliance Committee and the Audit Committee as appropriate, monitored the Company's risk management and internal control systems that have been in place throughout the year under review, and reviewed their effectiveness.

The monitoring and review covered all material controls, including financial, operational and compliance controls.

The Board Risk Management & Compliance Committee regularly reviews significant risks and how they might affect the Group's financial position; comparisons to agreed risk appetites; and what the Group does to manage risks outside its appetite.

The Group Internal Audit Function supports the Board Risk Management & Compliance Committee and objective assurance of the adequacy and effectiveness of the Group's controls. It brings a systematic and disciplined approach to evaluating and improving the effectiveness of the Group's risk management, control and governance frameworks, and processes.

The Directors acknowledge that any internal control system can manage, but not eliminate, the risk of not achieving business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or financial loss.

On behalf of the Board, the Audit Committee regularly reviews the effectiveness of the Group's internal control systems. Its monitoring covers all material controls. Principally, it reviews and challenges reports from Management, the Group Finance and Internal Audit function as well as the External Auditor. Additionally, the Risk Management & Compliance Committee oversees the Group's risk management framework and receives regular reports from Management, and Compliance & Legal function. This enables the Board to consider how to manage or mitigate risk in line with the Group's risk strategy.

RESPONSIBILITY FOR PREPARING THE INTEGRATED ANNUAL REPORT

The Board's objective is to give shareholders a fair, balanced and understandable assessment of the Group's position and prospects and business model and strategy. The Board is also responsible for maintaining adequate accounting records and seeks to ensure compliance with statutory and regulatory obligations.

You can find an explanation from the Directors about their responsibility for preparing the financial statements in the Statement of Directors' responsibilities on page 122.

The Directors confirm that they consider the Integrated Annual Report, taken as a whole, is fair, balanced and understandable and provide the information that shareholders need to assess the Group's position and performance, business model and strategy. In arriving at this conclusion, the Board was supported by a number of processes, including the following:

- Oversight from Management and the SIRC in the production of the Integrated Annual Report
- A validation process which ensures the factual accuracy of the report
- Review of all contents reported in the Integrated Annual Report by the Audit Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C EFFECTIVE COMMUNICATION WITH STAKEHOLDERS

LPI defines its stakeholders as those individuals and organisations that affect or are affected by the Company's business.

Our management approach aims to align corporate activities with societal needs. We focus on gathering feedback from stakeholders and building relationships of trust, reflecting this input in our operations. We pay close attention to society's views, work to identify opportunities and risks in their early stages and provide a variety of opportunities for dialogue with stakeholders. Additionally, structures are in place to ensure that feedback is shared within the Company.

SHAREHOLDERS/ INVESTORS/ BUSINESS PARTNERS/ MEDIA

HOW WE ENGAGE

- General Meetings ("GM")
- Investors and analysts meetings
- Results announcements
- Corporate website
- Annual Report/ Integrated Annual Report
- Correspondence via emails

KEY TOPICS AND CONCERNS

- Financial management
- Sustainability practices
- Business Strategy & long term growth
- Governance practice

OUR RESPONSES

- Continue to update through quarterly announcement, meetings/ tele-conference with analysts and GM
- Develop and implement robust strategies providing clear business direction

VALUES CREATED

- Sustainable returns
- Promote transparent practices
- Long term growth and stability
- Enhance brand positioning

EMPLOYEES

HOW WE ENGAGE

- Emails
- Training and development
- Business Meetings/ team discussion
- Rewards and recognition
- Sports club activities
- Sharing of Group's Mission and Vision
- Employee Purchase Program - collaboration with other companies for corporate purchase price on their products

KEY TOPICS AND CONCERNS

- Updates on Group's policies and procedures
- Continuous learning and development opportunities
- Group's directions, growth and performance
- Performance reviews
- Work-life balance
- Employees benefits on corporate purchase price products from collaborating companies

OUR RESPONSES

- Update employees through internal communication platforms on Group Human Resource related matters
- Offer employees on-the-job-training and various training programmes to equip employees with relevant skills
- Conduct quarterly meetings
- Organise End-Year Virtual Party
- Implement Flexi Working Hour
- Collaborate with other companies to enjoy corporate purchase price on their products

VALUES CREATED

- Well-informed employees
- Career enhancement and development
- Fair and competitive remuneration
- Inspired and engaged employees
- Low turnover and high productivity
- Attract and retain talent with skills and competencies necessary for growth and sustainability
- Promote employees benefits through corporate purchase price products from collaborating companies

GOVERNMENT/ LOCAL AUTHORITIES/ EMPLOYEES REGULATORS

HOW WE ENGAGE

- Supervisory dialogues
- Adhoc consultation
- Supervisory Audit

KEY TOPICS AND CONCERNS

- Phased liberalisation
- Anti-Bribery
- Risk Management in Technology

OUR RESPONSES

- Continuous/ ongoing engagement and dialogues
- Regular review/ updating of internal policies & procedures

VALUES CREATED

- Continuous engagement
- Keeping abreast with regulatory development & enforcement
- Ensuring regulatory compliance

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C EFFECTIVE COMMUNICATION WITH STAKEHOLDERS

CUSTOMERS

HOW WE ENGAGE

- Corporate website
- Customer portal
- Emailers, notices, announcements
- SMS
- Tele-servicing/ Marketing

KEY TOPICS AND CONCERNS

- Policy serving & renewal
- Claims servicing
- Policy changes/ terms/ conditions
- Product promotions
- Industry changes

OUR RESPONSES

- Periodic (Annually/ Quarterly/ Monthly)
- Service level promise compliance
- Adhoc, as when necessary/ required

VALUES CREATED

- Customer satisfaction
- Promise fulfilment
- Loyal returning customers
- Informed customers

INTERMEDIARIES

HOW WE ENGAGE

- Corporate website
- E Insurance portal
- Physical engagement/ servicing
- Emailers, circulars, notices
- Training/ Conferences
- SMS
- Tele-servicing

KEY TOPICS AND CONCERNS

- Company policy
- Underwriting policy/ guide/ changes/ amendments
- Policy serving/ renewal
- Claims servicing
- Policy changes/ terms/ conditions
- Product promotions
- Industry changes

OUR RESPONSES

- Periodic (Daily/ Weekly/ Monthly/ Annually)
- Service level promise compliance
- Adhoc, as when necessary/ required

VALUES CREATED

- Fulfilling career intermediaries
- Informed intermediaries
- Loyal long serving intermediaries
- Technically sound intermediaries

SUPPLIERS & SERVICE PROVIDERS

HOW WE ENGAGE

- Planning & forecasting solutions
- Suppliers' brand & reputation
- Suppliers' competencies, capabilities & experiences
- Meetings/ Briefings/ Presentations/ Demonstration

KEY TOPICS AND CONCERNS

- Transparency of tender processes
- Evaluation of the proposals/quotations
- Potential business opportunities
- Compliance to procurement SOP

OUR RESPONSES

- Review of the Suppliers' proposals/quotations
- Regular review, setting up measurement
- Monitoring systems to provide information for decision making

VALUES CREATED

- Cost reduction
- Energy efficiency
- Implement activities, including strategic and accountable responses
- Contractor selection

COMMUNITY

HOW WE ENGAGE

- Charity events
- Sponsorships
- Direct outreach
- Long-term CSR partnerships

KEY TOPICS AND CONCERNS

- Financial sustainability of NGOs focused on social welfare and physical health
- Overall community wellbeing especially of the less-privileged in society
- Improving awareness of the importance of environmental conservation

OUR RESPONSES

- Regular charitable events designed to raise funds for NGOs
- Employee participation in community-focused CSR events
- Sponsorship of sporting and educational events

VALUES CREATED

- Long-term sustainability of our NGOs
- Uplifting the lives of the less-privileged in society
- Ensure the sustainability of sporting events
- Improve educational levels
- Enhance environmental conservation awareness

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 2020.

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 2020 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	473
- Overseas affiliates of KPMG	-	320
• Non-audit services		
- KPMG *	5	347
- Local affiliates of KPMG **	8	54
- Overseas affiliates of KPMG ***	-	116
Total	103	1,310

* *The non-audit services fees paid/ payable to KPMG were for the interim review of the subsidiary company for 6 months ended 30 June 2020, review of Statement on Risk Management and Internal Control, review of implementation of MFRS 17 and other services. The provision of these services by the external auditors to LPI Group were cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity.*

** *The non-audit services fees paid/ payable to local affiliates of KPMG were for advice on taxation matters and for preparation, review and submission of tax returns.*

*** *The non-audit services fees paid/ payable to overseas affiliates of KPMG were for review of implementation of MFRS 17, 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 2020 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 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 2020 are as follows:

Name of Audit Committee Member	Attendance at Audit Committee Meetings
LEE CHIN GUAN *Chairman/ Independent Non-Executive Director*	4/4
TEE CHOON YEOW *Member/ Independent Non-Executive Director*	4/4
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 Chief Internal Auditor, 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 2020.

The details of the terms of reference of the Audit Committee are available at https://www.lpicapital.com.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

During the year, the Audit Committees of the Group carried out the following activities:

1 Financial Reporting

- 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 the draft disclosures in Annual Report 2019 and recommended to the Board for 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.
- 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.
- Reviewed the Sustainability Framework version 2.0 for the Group.
- Noted the circular from Securities Commission ("SC") on Audit Oversight Board pertaining to the impact of Covid-19 pandemic on financial reporting of Public Interest Entities that operate in the Malaysian Capital Market.
- Noted the Audit Oversight Board Annual Inspection Report 2019 issued by SC.

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 Internal Audit Report on the review of level of commitment to BCM and the overall preparedness against 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.
- Deliberated on the 2019 Composite Risk Rating from BNM and the draft reply letter to BNM pertaining to the details of actions undertaken including the 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 2019.
- Reviewed the Internal Audit Report 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 Internal Audit Report on the Review of Actuarial Valuation Process.
- Reviewed the Internal Audit Report on Assessment of Outsourcing Arrangement of Singapore branch.
- 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 2021.
- Noted the Conclusion Report on Audit Findings.
- Noted the Report on Internal Audit Function.
- Noted the resignation of Internal Audit staff.
- Discussed the Evaluation of Internal Audit Function.
- Reviewed and assessed the performance and contributions by the Chief Internal Auditor for the financial year ended 31 December 2020.

AUDIT COMMITTEE REPORT

The Audit Committee acknowledges that the internal control system of LPI Group, which was enforced throughout the financial year up to the date of this report, provided reasonable although not absolute assurance against material financial misstatements or loss. The internal controls were also deemed sufficient in ensuring the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of financial risks.

The Audit Committee arrived at these conclusions as there is no evidence that there has been any shortcomings in the aforementioned processes. Nevertheless, the Audit Committee notes that the internal control system cannot provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

3 External Audit

- Reviewed the following with the external auditors:
    - their audit plan, audit strategy and scope of audits of the Company/ Group for the year;
    - their evaluation on the system of internal controls of the Company/ Group;
    - the results of the annual audit, management letter for insurance subsidiary including the Management's response to the findings of the external auditors and also the auditors' report to the shareholders.
- Discussed the letters of engagement from the external auditors and recommended them to the Board for approval.
- Reviewed 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 and recommended them to the Board for approval.
- Met with the external auditors without any executive Board members and management staff present.

4 Related Party Transactions

- 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.

AUDIT COMMITTEE REPORT

The Internal Audit function is carried out by IAD based on the annual audit plan that is reviewed and approved by the Audit Committee. The audit plan includes reviews of the adequacy of operational controls, risk management, compliance with established policies, procedures, laws and regulations, quality of assets, management efficiency as well as effectiveness of computer application systems and telecommunications network. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it is adequately resourced with competent and proficient internal auditors.

Pursuant to the Guidelines on Internal Audit Function of Licensed Institutions issued by BNM, the Audit Committee has approved the evaluation process for the Internal Audit function, which provides a formal and transparent procedure for the Audit Committee to evaluate the Internal Audit function. The Audit Committee evaluates the Internal Audit function of the Group once in every 2 years.

A risk-based audit approach is implemented to ensure that higher risk activities in each auditable area are audited more frequently. This is designed to evaluate and enhance risk management, control and governance processes to assist management in achieving its corporate goals. The audits further help to ensure that appropriate instituted controls are in place, effectively applied and achieved acceptable risk exposures in accordance with the Group's risk management policy.

During the year, IAD conducted various internal audit engagements in accordance with the annual audit plan which are consistent with the organisation's goals. IAD evaluated the adequacy and effectiveness of key controls in response to risks within the Group's governance, operations and information systems. The areas evaluated include the following:

- Relevancy, reliability, integrity, accuracy, completeness and timeliness of financial and operational information;
- Adequacy of controls to safeguard the Group's assets;
- Adequacy and effectiveness of the system of internal controls;
- Compliance with policies, procedures, rules, regulations, guidelines, directives and laws;
- Integrity of risks measurement, adequacy of control and reporting systems and compliance with approved risk management policies and procedures;
- 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 2020 was RM3,222,000.

A summary of the internal audit costs is as follows:

Cost Category	RM'000	% of Total Cost
Manpower	3,178	98.6
Training	3	0.1
Travelling (inclusive of accommodation)	41	1.3
Total	**3,222**	**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 insurance, 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:

1 GROUP RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

- The Risk Management & Compliance Committee ("RMCC") was established by the LPI and Lonpac Boards 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

1 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 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:

1 Approval of risk management policies, risk appetite and risk tolerance

- Board
- RMCC

2 Implementation of enterprise risk management, independent review and compliance

- Enterprise Risk Management ("ERM") Department
- Internal Audit Department ("IAD")
- Information Security Department
- Compliance & Legal Department

3 Implementation, development and giving feedback of risk management policies

- Finance Department
- Administration Department
- Actuarial Department
- Claims Department
- Distribution Division
- Human Resource Department
- Information Technology Department
- Pricing Department
- Product Development Department
- Secretariat Department
- Underwriting Division

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1 GROUP RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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 RMCC is supported by the ERM Department, Information Security 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 RMCC, on at least a quarterly basis.

Information Security Department establishes the cybersecurity control frameworks, monitors conformance, reviews the implementation and maintenance of security controls, assists individual departments to make technology-based risk management decisions, and tracks threat and regulatory landscapes on a regular 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.

- 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:

Risk Impact	Low	Medium	High
High	Medium Priority	High Priority	High Priority
Medium	Low Priority	Medium Priority	High Priority
Low	Low Priority	Low Priority	Medium Priority

Medium and High for Risk Likelihood

High Priority = Major Focus
Medium Priority = Moderate Focus
Low Priority = Peripheral Focus

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

2 RISK MANAGEMENT AND COMPLIANCE FUNCTION

- 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 makes resources available to control technology risks to acceptable levels. Various risk tolerance limits have been established to foster innovation and efficiencies within business practices.

- 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 subsidiary's 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.

3 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

3 INTERNAL AUDIT FUNCTION

- The Audit Committee of the Group reviews any internal control issues identified by the IAD, the external auditors, regulatory authorities and Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews the internal audit function and quality of internal audits. The minutes of the Audit Committee meetings are tabled to the Board. Further details of the activities undertaken by the Audit Committee of the Group are set out in the Audit Committee Report.

4 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.

- Lonpac's 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 subsidiary's Reinsurance Security Committee ("RSC") and the subsidiary's 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.

- 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 subsidiary's RMCC meetings and thereafter recommended to the subsidiary's 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 the subsidiary's RMCC meetings and thereafter recommended to the subsidiary's 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

4 OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

- 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 subsidiary's RMCC and the subsidiary's Board meetings.

- The Investment Committee is responsible for formulating policies, strategies as well as reviewing matters relating to the investment in shares and 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.

- The Credit Control Committee is chaired by the Chief Executive Officer of Lonpac. 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.

- Corruption Risk Management Framework has been established in view of the application of Section 17A of the Malaysian Anti-Corruption Commission Act 2009. The Corruption Risk Management Framework focuses on identification, assessment, monitoring and reporting procedures, to ensure adequate internal controls are maintained at all times.

- 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. 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.

- Training and development programmes are conducted to enhance staff competencies and maintain a risk control conscious culture.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

4 OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

- Training sessions for agents are conducted to enhance their competencies and technical knowledge for better risk management.

- 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 for inclusion in the integrated annual report of the Group for the year ended 31 December 2020. The limited assurance review was conducted in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants.

The external auditors have 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 integrated annual report of the Group, in all material respects, 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 is factually inaccurate.

The AAPG 3 does not require the external auditors 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 integrated annual report will, in fact, remedy the problems.

FINANCIAL STATEMENTS

ANALYSIS OF THE FINANCIAL STATEMENTS

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

	2020 RM'mil	2019 RM'mil	Increase/(Decrease) Amount RM'mil	Increase/(Decrease) %
Assets				
Plant and equipment	**6.4**	7.0	(0.6)	(8.6)
Right-of-use assets	**42.2**	46.7	(4.5)	(9.6)
Investment properties	**27.6**	27.5	0.1	0.4
Intangible assets	**9.0**	10.5	(1.5)	(14.3)
Investment in an associated company	**35.3**	33.1	2.2	6.6
Fair value through other comprehensive income financial assets	**907.6**	856.5	51.1	6.0
Fair value through profit or loss financial assets	**891.4**	326.1	565.3	173.4
Amortised cost financial assets	**52.9**	83.0	(30.1)	(36.3)
Reinsurance assets	**1,020.0**	731.8	288.2	39.4
Loans and receivables (excluding insurance receivables)	**1,169.1**	1,539.9	(370.8)	(24.1)
Insurance receivables	**163.6**	149.8	13.8	9.2
Deferred acquisition costs	**43.8**	43.9	(0.1)	(0.2)
Current tax assets	**-**	3.9	(3.9)	(100.0)
Cash and cash equivalents	**150.8**	186.2	(35.4)	(19.0)
Total Assets	**4,519.7**	4,045.9	473.8	11.7
Total Equity	**2,075.5**	1,971.9	103.6	5.3
Liabilities				
Insurance contract liabilities	**2,168.1**	1,807.2	360.9	20.0
Deferred tax liabilities	**3.9**	3.4	0.5	14.7
Lease liabilities	**43.6**	47.4	(3.8)	(8.0)
Insurance payables	**100.4**	93.3	7.1	7.6
Other payables	**103.3**	100.5	2.8	2.8
Current tax payables	**24.9**	22.2	2.7	12.2
Total Liabilities	**2,444.2**	2,074.0	370.2	17.8
Total Equity and Liabilities	**4,519.7**	4,045.9	473.8	11.7

ANALYSIS OF THE FINANCIAL STATEMENTS

Total Assets

As at 31 December 2020, the total assets of the Group was RM4,519.7 million, increased by 11.7% or RM473.8 million over the previous financial year mainly attributed to the increase in fair value through profit or loss financial assets and reinsurance assets. The increase in fair value through profit or loss financial assets of RM565.3 million was mainly attributed to the shifting of investment from fixed deposits to unit trust due to the low interest rate offered by the banks for fixed deposits placements.

Plant and Equipment

During the year 2020, the Group's plant and equipment decreased by 8.6% or RM0.6 million to RM6.4 million from RM7.0 million in 2019 mainly due to the depreciation charge during the year.

Right-of-use Assets

The right-of-use assets consist of leases of buildings and machines of the Group decreased by 9.6% or RM4.5 million to RM42.2 million from RM46.7 million in 2019 due to the depreciation charge during the year.

Investment Properties

The investment properties of the Group increased by RM0.1 million to RM27.6 million from RM27.5 million registered in 2019. The increase was contributed by the increase in fair value of the properties. The investment properties were revalued in accordance with the revaluation report issued by the external independent valuer.

Intangible Assets

The intangible assets consist of software development costs of the Group decreased by 14.3% or RM1.5 million to RM9.0 million from RM10.5 million in 2019 due to the amortisation during the year.

Investment in an Associated Company

The Group's investment in an 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 6.6% or RM2.2 million to RM35.3 million from RM33.1 million in 2019 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 2020 increased by RM1.2 million to RM3.0 million from RM1.8 million in 2019.

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 increased by 6.0% or RM51.1 million to RM907.6 million from RM856.5 million in 2019 due to the increase in the market value.

Fair Value through Profit or Loss Financial Assets

The Group classifies all other investments which were not designated as FVOCI and do not give rise to cash flows that are solely payments of principal and interest as fair value through profit or loss ("FVTPL") financial assets. The FVTPL financial assets increased by 173.4% or RM565.3 million to RM891.4 million from RM326.1 million in 2019 mainly due to the increase in the investment in unit trust by RM555.8 million to RM791.3 million from RM235.5 million in 2019. Whilst the value of real estate investment trusts ("REITs") increased by RM0.8 million to RM3.3 million from RM2.5 million in 2019. The value of exchange-traded fund ("ETF") was maintained at RM0.7 million as compared to 2019. The value of equity securities increased to RM5.1 million from RM5.0 million in 2019. The investment in corporate debt securities increased by 10.7% or RM8.8 million to RM91.1 million from RM82.3 million mainly due to purchases of corporate debt securities.

Amortised Cost Financial Assets

The Group classifies debt securities as amortised cost financial assets if they meet the classification conditions as stated in Note 2(f)(ii) to the financial statements. The Group's amortised cost financial assets consist of government guaranteed loans and corporate debt securities which are mainly held for yield and liquidity purposes. The amortised cost financial assets decreased by 36.3% or RM30.1 million to RM52.9 million from RM83.0 million in 2019 due to the maturity of debt securities.

Reinsurance Assets

As at 31 December 2020, the reinsurers share of provision for outstanding claims and provision for unearned premium (Reinsurance assets) increased by 39.4% or RM288.2 million to RM1,020.0 million from RM731.8 million in 2019.

Loans and Receivables (excluding Insurance Receivables)

The Group's loans and receivables as at 31 December 2020 are largely comprised of fixed deposits placed with licensed financial institutions with maturities above 3 months, staff loans and other receivables. The Group's loans and receivables decreased by 24.1% or RM370.8 million to RM1,169.1 million from RM1,539.9 million in 2019 mainly due to the shifting of investment from fixed deposits to unit trust. The placement of fixed deposit with maturity more than 3 months decreased by 24.6% or RM350.8 million to RM1,077.4 million from RM1,428.2 million in 2019. Other receivables decreased by 20.5% or RM17.2 million to RM66.5 million from RM83.7 million in 2019. The decline was mainly due to the decrease in interest income accrued resulted from lower placement of fixed deposits. Staff loans decreased by 10.0% or RM2.8 million to RM25.1 million from RM27.9 million in 2019.

ANALYSIS OF THE FINANCIAL STATEMENTS

Insurance Receivables

In tandem with the growth in gross premium income, the Group's insurance receivables increased by 9.2% or RM13.8 million to RM163.6 million from RM149.8 million in 2019.

Deferred Acquisition Costs

The Group's deferred acquisition costs which consist mainly of commissions to agents and brokers had decreased by 0.2% or RM0.1 million to RM43.8 million from RM43.9 million in 2019.

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 19.0% or RM35.4 million to RM150.8 million from RM186.2 million in 2019 mainly due to the shifting of investment from fixed deposits to unit trust. The fixed deposits placements with maturities of 3 months or less decreased by 32.3% or RM53.2 million to RM111.3 million from RM164.5 million in 2019.

Total Liabilities

The Group's total liabilities increased by 17.8% or RM370.2 million to RM2,444.2 million from RM2,074.0 million in 2019. The increase was primarily due to the higher insurance contract liabilities. Total insurance contract liabilities accounted for 88.7% or RM2,168.1 million of the Group's total liabilities, of which RM1,349.1 million was related to the provision for outstanding claims and RM819.0 million to provision for unearned premium.

Insurance Contract Liabilities

The Group's insurance contract liabilities consist of gross provision for outstanding claims and gross provision for unearned premium. Total insurance contract liabilities increased by 20.0% or RM360.9 million to RM2,168.1 million from RM1,807.2 million in 2019. The increase amount of RM360.9 million consists of RM341.5 million in provision for outstanding claims and RM19.4 million in provision for unearned premium reserves.

Lease Liabilities

The Group's lease liabilities decreased by 8.0% or RM3.8 million to RM43.6 million from RM47.4 million in 2019 due to repayment during the year.

ANALYSIS OF THE FINANCIAL STATEMENTS

Insurance Payables

The Group's insurance payables increased by 7.6% or RM7.1 million to RM100.4 million from RM93.3 million in 2019. The increase was mainly due to higher outstanding net balance due to agents, brokers, co-insurers and insured.

Other Payables

The Group's other payables increased by 2.8% or RM2.8 million to RM103.3 million from RM100.5 million in 2019. The increase was mainly due to higher accrued expenses and deposit premiums.

Shareholders' Equity

The Group's shareholders' equity as at 31 December 2020 increased by 5.3% or RM103.6 million to RM2,075.5 million from RM1,971.9 million in 2019 after the payment of dividends amounting to RM282.9 million (consist of RM171.3 million second interim for financial year 2019 and RM111.6 million first interim for financial year 2020) during the year, with an encouraging return on equity of 16.2%. The Group recorded another year of strong net profit of RM336.7 million achieved for the year 2020. Accordingly, the Group's retained earnings still managed to rise by RM53.9 million to RM906.1 million from RM852.2 million despite the payment of dividends of RM282.9 million as mentioned above. The Group's fair value reserve increased by RM50.8 million to RM748.2 million from RM697.4 million in 2019 contributed by the increase in market value in FVOCI financial assets.

ANALYSIS OF THE FINANCIAL STATEMENTS

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

	2020 RM'mil	2019 RM'mil	Increase/(Decrease) Amount RM'mil	%
Operating revenue	**1,621.6**	1,602.7	18.9	1.2
Gross written premium	**1,550.6**	1,524.4	26.2	1.7
Change in unearned premium reserve	**(19.5)**	(28.2)	(8.7)	(30.9)
Gross earned premium	**1,531.1**	1,496.2	34.9	2.3
Gross written premium ceded to reinsurers	**(519.5)**	(510.7)	8.8	1.7
Change in unearned premium reserve	**4.2**	26.0	(21.8)	(83.8)
Premium ceded to reinsurers	**(515.3)**	(484.7)	30.6	6.3
Net earned premium	**1,015.8**	1,011.5	4.3	0.4
Investment income	**90.5**	106.5	(16.0)	(15.0)
Fair value gains	**2.2**	1.7	0.5	29.4
Commission income	**112.6**	102.2	10.4	10.2
Net reversal of impairment loss on insurance receivables	**-**	0.1	(0.1)	(100.0)
Other operating income	**6.3**	7.0	(0.7)	(10.0)
Other income	**211.6**	217.5	(5.9)	(2.7)
Net claims incurred	**(418.8)**	(444.5)	(25.7)	(5.8)
Fair value losses	**(0.7)**	(0.1)	0.6	>100.0
Commission expense	**(174.9)**	(170.9)	4.0	2.3
Management expenses	**(200.0)**	(199.1)	0.9	0.5
Net impairment loss on insurance receivables	**(0.6)**	-	0.6	100.0
Other expenses	**(376.2)**	(370.1)	6.1	1.6
Operating profit	**432.4**	414.4	18.0	4.3
Finance costs	**(1.8)**	(1.5)	0.3	20.0
Share of profit after tax of equity accounted associated company	**3.0**	1.8	1.2	66.7
Profit before tax	**433.6**	414.7	18.9	4.6
Tax expense	**(96.9)**	(92.3)	4.6	5.0
Net profit for the year	**336.7**	322.4	14.3	4.4

ANALYSIS OF THE FINANCIAL STATEMENTS

Despite operating in a very challenging economic environment resulted from the unprecedented COVID-19 pandemic and a highly competitive market, the LPI Group continued to deliver a commendable set of results for the financial year ended 31 December 2020. The LPI Group's revenue grew by 1.2% or RM18.9 million to RM1,621.6 million compared to RM1,602.7 million in 2019. The Group's profit before taxation increased by RM18.9 million or 4.6% to RM433.6 million from RM414.7 million in 2019. The remarkable performance was driven by the increase in underwriting profits generated by its subsidiary, Lonpac Insurance Bhd. The Group's net profit increased by RM14.3 million or 4.4% to RM336.7 million as compared to RM322.4 million in 2019. The Group's earnings per share increased to 84.52 sen compared to 80.92 sen last year. Return on equity decreased slightly to 16.2% from 16.3% reported in 2019.

The Group's underwriting results improved by 11.1% or RM33.8 million to RM338.9 million in 2020 from RM305.1 million in 2019, mainly contributed by higher premium income and lower net claims incurred. The claims incurred ratio improved to 41.2% from 43.9% in 2019 and the combined ratio also improved to 66.6% from 69.8% in 2019. (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 1.2% or RM18.9 million to RM1,621.6 million from RM1,602.7 million in 2019 mainly from higher gross earned premium which contributed 94.4% of the total operating revenue in 2020.

Operating Revenue	2020 RM'000	2019 RM'000	Variance RM'000	Variance %	Contribution 2020 %
Gross earned premium	**1,531,064**	1,496,220	34,844	2.3	**94.4**
Dividend income	**43,842**	40,629	3,213	7.9	**2.7**
Interest income	**45,922**	65,008	(19,086)	(29.4)	**2.8**
Rental of premises	**764**	844	(80)	(9.5)	**0.1**
Total	**1,621,592**	1,602,701	18,891	1.2	**100.0**

Gross Written Premiums and Gross Earned Premiums

The Group's gross written premiums grew 1.7% or RM26.2 million to RM1,550.6 million from RM1,524.4 million in 2019. Miscellaneous and Motor insurances were the largest contributors to the growth by growing RM17.5 million and RM16.3 million respectively. Fire and Miscellaneous insurances are the major contributors to the total gross written premiums which accounted for approximately 41.1% and 29.9% of the total gross written premium in 2020 respectively. The gross earned premiums rose 2.3% or RM34.9 million to RM1,531.1 million from RM1,496.2 million in 2019. This was the result of organic growth with the continued expansion of its agency force and the strong contribution from its global partnership.

ANALYSIS OF THE FINANCIAL STATEMENTS

Gross Written Premiums by Class of Business

Class	2020 RM'000	2019 RM'000	Variance RM'000	Variance %	Contribution 2020 %
Fire	**636,765**	631,107	5,658	0.9	**41.1**
Motor	**368,569**	352,319	16,250	4.6	**23.8**
Marine, aviation & transit	**81,468**	94,618	(13,150)	(13.9)	**5.2**
Miscellaneous	**463,823**	446,324	17,499	3.9	**29.9**
Total	**1,550,625**	1,524,368	26,257	1.7	**100.0**

Gross Earned Premiums by Class of Business

Class	2020 RM'000	2019 RM'000	Variance RM'000	Variance %	Contribution 2020 %
Fire	**630,723**	628,529	2,194	0.3	**41.2**
Motor	**356,553**	340,657	15,896	4.7	**23.3**
Marine, aviation & transit	**83,367**	87,173	(3,806)	(4.4)	**5.4**
Miscellaneous	**460,421**	439,861	20,560	4.7	**30.1**
Total	**1,531,064**	1,496,220	34,844	2.3	**100.0**

Net Earned Premiums

The Group's net earned premiums increased in tandem with the higher gross earned premium by 0.4% or RM4.3 million to RM1,015.8 million when compared to RM1,011.5 million in 2019. The growth was mainly contributed by Motor class of business.

Net Earned Premiums by Class of Business

Class	2020 RM'000	2019 RM'000	Variance RM'000	Variance %	Contribution 2020 %
Fire	**415,499**	419,025	(3,526)	(0.8)	**40.9**
Motor	**341,731**	325,922	15,809	4.9	**33.6**
Marine, aviation & transit	**17,013**	19,367	(2,354)	(12.2)	**1.7**
Miscellaneous	**241,520**	247,195	(5,675)	(2.3)	**23.8**
Total	**1,015,763**	1,011,509	4,254	0.4	**100.0**

ANALYSIS OF THE FINANCIAL STATEMENTS

Other Income

The Group's other income, consists mainly of investment income, fair value gains, commission income and other operating income, decreased by 2.7% or RM5.9 million to RM211.6 million from RM217.5 million in 2019. The decrease was mainly due to lower investment income received.

Investment Income

Investment income decreased by 15.0% or RM16.0 million to RM90.5 million from RM106.5 million in 2019 which comprised mainly dividend and interest. The Group's dividend income from investment in equities and unit trusts increased by 7.9% or RM3.2 million to RM43.8 million from RM40.6 million in 2019, whilst its interest income from investment in fixed income securities and fixed deposits decreased by 29.4% or RM19.1 million to RM45.9 million from RM65.0 million in 2019 mainly due to lower placement of fixed deposits coupled with lower interest rate. In addition, maturity of debts securities also contributed to the lower interest income received.

Fair Value Gains and Losses

During the year, the Group registered fair value gains of RM2.2 million from its investment, in which corporate debt securities of RM1.9 million, investment properties of RM0.1 million, unit trust funds of RM0.1 million and unquoted equity securities of RM0.1 million. However, the Group registered fair value losses of RM0.7 million on its investment, in which RM0.4 million in quoted equity securities and RM0.3 million in REITs.

Commission Income

The Group's commission income increased by 10.2% or RM10.4 million to RM112.6 million from RM102.2 million in 2019. The increase was mainly contributed by the higher treaty profit commissions earned from reinsurers.

Other Operating Income

Other operating income of the Group decreased by 10.0% or RM0.7 million to RM6.3 million as compared to RM7.0 million in 2019 mainly due to lower investment income generated from Malaysian Motor Insurance Pool.

Net Claims Incurred

The Group's net claims incurred decreased by 5.8% or RM25.7 million to RM418.8 million from RM444.5 million in 2019. The decrease in the Group's net claims incurred was partly due to the reduce in road traffics and business activities resulted from the implementation of Movement Control Order by the government coupled with the discipline and prudent risk selection and claims management. As a result, the net claims incurred ratio improved to 41.2% from 43.9% in 2019.

ANALYSIS OF THE FINANCIAL STATEMENTS

Net Claims Incurred by Class of Business

Class	2020 RM'000	2019 RM'000	Variance RM'000	Variance %	Contribution 2020 %
Fire	**51,426**	51,613	(187)	(0.4)	**12.3**
Motor	**233,957**	235,931	(1,974)	(0.8)	**55.8**
Marine, aviation & transit	**4,104**	5,905	(1,801)	(30.5)	**1.0**
Miscellaneous	**129,352**	151,069	(21,717)	(14.4)	**30.9**
Total	**418,839**	444,518	(25,679)	(5.8)	**100.0**

Net Claims Incurred Ratio by Class of Business

Class	2020 %	2019 %	Variance Percentage points
Fire	**12.4**	12.3	0.1
Motor	**68.5**	72.4	(3.9)
Marine, aviation & transit	**24.1**	30.5	(6.4)
Miscellaneous	**53.6**	61.1	(7.5)
Total	**41.2**	43.9	(2.7)

Commission Expense

The Group's commission expense increased by 2.3% or RM4.0 million to RM174.9 million from RM170.9 million in 2019. The higher commissions and brokerage paid was in tandem with the higher gross earned premium.

Management Expenses

In view of the uncertainty of existing economy condition, the Group has managed to contain its management expenses which only increased by 0.5% or RM0.9 million to RM200.0 million from RM199.1 million in 2019. The staff cost constituted RM137.2 million or 68.6% of the Group's total management expenses of RM200.0 million.

Impairment Loss on Insurance Receivables

The allowance of impairment loss on insurance receivables increased by RM0.6 million in 2020, compared to reversal of allowance of RM0.1 million in 2019.

ANALYSIS OF THE FINANCIAL STATEMENTS

Finance Costs

The finance costs accounted under MFRS 16, *Leases* increased by RM0.3 million to RM1.8 million from RM1.5 million in 2019.

Taxation

The Group's tax expense increased by 5.0% or RM4.6 million to RM96.9 million from RM92.3 million in 2019. 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 2020 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 2020

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 2020.

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	336,728	242,206

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 2019 as reported in the Directors' Report of that year:

- a second interim single tier dividend of 43.00 sen per ordinary share totalling RM171,304,584 declared on 3 February 2020 and paid on 26 February 2020.

ii) In respect of the financial year ended 31 December 2020:

- a first interim single tier dividend of 28.00 sen per ordinary share totalling RM111,547,171 declared on 17 August 2020 and paid on 11 September 2020.

DIRECTORS' REPORT
for the year ended 31 December 2020

DIVIDENDS (CONTINUED)

Subsequent to the financial year end, on 3 February 2021, the Directors declared a second interim single tier dividend of 44.00 sen per ordinary share on the issued and paid-up share capital as at the entitlement date on 19 February 2021 in respect of the financial year ended 31 December 2020. The dividend will be payable on 1 March 2021. The Directors do not propose any final dividend for the financial year ended 31 December 2020.

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
Dato' Chia Lee Kee (appointed on 18 January 2021)

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:

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
Woo Chew Hong

DIRECTORS' REPORT
for the year ended 31 December 2020

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 1.1.2020	Transferred	Sold	At 31.12.2020
Interests in the Company:				
Tan Sri Dato' Sri Dr. Teh Hong Piow				
- own	5,621,760	-	-	5,621,760
- deemed interest	170,418,240	-	(144,000)	170,274,240
Tee Choon Yeow				
- own	1,152,000	-	-	1,152,000
Tan Kok Guan				
- own	356,400	-	-	356,400
- deemed interest	273,600	-	-	273,600
Lee Chin Guan				
- own	2,437,000	-	(127,300)	2,309,700

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 2020 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 2020

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 interests, 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	39	28,000

There were no indemnity given to, or insurance effected for auditors of the Company during the financial year.

DIRECTORS' REPORT

for the year ended 31 December 2020

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 2020 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 2020

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:

LEE CHIN GUAN
Director

TAN KOK GUAN
Director

Date: 3 February 2021

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Plant and equipment	3	**6,423**	7,033	**71**	198
Right-of-use assets	4	**42,227**	46,732	**-**	-
Investment properties	5	**27,572**	27,540	**-**	-
Intangible assets	6	**8,950**	10,514	**25**	34
Investment in a subsidiary	7	**-**	-	**200,000**	200,000
Investment in an associated company	8	**35,321**	33,064	**10,833**	10,833
Other investments		**1,851,962**	1,265,567	**875,926**	826,602
- Fair value through other comprehensive income	9(a)	**907,613**	856,505	**875,926**	826,602
- Fair value through profit or loss	9(b)	**891,405**	326,062	**-**	-
- Amortised cost	9(c)	**52,944**	83,000	**-**	-
Reinsurance assets	10	**1,020,006**	731,806	**-**	-
Loans and receivables, excluding insurance receivables	11(a)	**1,169,054**	1,539,910	**95,833**	136,443
Insurance receivables	11(b)	**163,647**	149,778	**-**	-
Deferred acquisition costs	12	**43,756**	43,877	**-**	-
Current tax assets		**-**	3,881	**-**	-
Cash and cash equivalents	13	**150,788**	186,188	**3,871**	3,526
Total assets		**4,519,706**	4,045,890	**1,186,559**	1,177,636
Equity					
Share capital		**398,383**	398,383	**398,383**	398,383
Reserves		**1,677,085**	1,573,516	**786,191**	777,513
Total equity	14	**2,075,468**	1,971,899	**1,184,574**	1,175,896
Liabilities					
Insurance contract liabilities	15	**2,168,123**	1,807,222	**-**	-
Deferred tax liabilities	16	**3,905**	3,375	**-**	-
Lease liabilities	17	**43,571**	47,375	**-**	-
Insurance payables	18	**100,457**	93,289	**-**	-
Other payables	19	**103,302**	100,491	**1,892**	1,511
Current tax payables		**24,880**	22,239	**93**	229
Total liabilities		**2,444,238**	2,073,991	**1,985**	1,740
Total equity and liabilities		**4,519,706**	4,045,890	**1,186,559**	1,177,636

The notes on pages 139 to 246 are an integral part of these financial statements.

STATEMENTS OF **PROFIT OR LOSS**

for the year ended 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	20	**1,621,592**	1,602,701	**250,325**	265,242
Gross written premiums	21	**1,550,625**	1,524,368	**-**	-
Change in unearned premiums provision	21	**(19,561)**	(28,148)	**-**	-
Gross earned premiums	21	**1,531,064**	1,496,220	**-**	-
Gross written premiums ceded to reinsurers	21	**(519,538)**	(510,718)	**-**	-
Change in unearned premiums provision	21	**4,237**	26,007	**-**	-
Premiums ceded to reinsurers	21	**(515,301)**	(484,711)	**-**	-
Net earned premiums	21	**1,015,763**	1,011,509	**-**	-
Investment income	22	**90,528**	106,481	**250,325**	265,242
Realised gains	23	**3**	6	**-**	-
Fair value gains	24	**2,230**	1,723	**-**	-
Commission income	25	**112,620**	102,154	**-**	-
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	**6,340**	6,974	**-**	-
Other income		**211,721**	217,463	**250,325**	265,242
Gross claims paid	27	**(528,326)**	(596,301)	**-**	-
Claims ceded to reinsurers	27	**167,176**	185,100	**-**	-
Gross change in claims liabilities	27	**(341,767)**	80,733	**-**	-
Change in claims liabilities ceded to reinsurers	27	**284,078**	(114,050)	**-**	-
Net claims incurred	27	**(418,839)**	(444,518)	**-**	-

The notes on pages 139 to 246 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

for the year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Fair value losses	24	**(728)**	(125)	**-**	(136)
Commission expense	25	**(174,870)**	(170,857)	**-**	-
Management expenses	28	**(200,051)**	(199,083)	**(7,342)**	(7,671)
Net impairment loss on insurance receivables	35.4	**(587)**	-	**-**	-
Net impairment loss on investments carried at amortised cost	35.4	**(1)**	-	**-**	-
Other expenses		**(376,237)**	(370,065)	**(7,342)**	(7,807)
Operating profit		**432,408**	414,389	**242,983**	257,435
Finance cost		**(1,830)**	(1,446)	**-**	-
Share of profit after tax of equity accounted associated company		**2,987**	1,776	**-**	-
Profit before tax		**433,565**	414,719	**242,983**	257,435
Tax expense	30	**(96,837)**	(92,358)	**(777)**	(1,281)
Profit for the year		**336,728**	322,361	**242,206**	256,154
Profit attributable to:					
Owners of the Company		**336,728**	322,361	**242,206**	256,154
Earnings per ordinary share (sen)					
Basic	31	**84.52**	80.92		

The notes on pages 139 to 246 are an integral part of these financial statements.

STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Profit for the year		**336,728**	322,361	**242,206**	256,154
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation		**(1,099)**	569	**-**	-
Items that will not be reclassified to profit or loss					
Net gains/ (losses) on investments in equity instruments designated at fair value through other comprehensive income		**51,121**	(234,419)	**49,324**	(226,211)
Income tax relating to these items	30	**(329)**	1,487	**-**	-
Total other comprehensive income/ (loss) for the year, net of tax		**49,693**	(232,363)	**49,324**	(226,211)
Total comprehensive income for the year attributable to owners of the Company		**386,421**	89,998	**291,530**	29,943

The notes on pages 139 to 246 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the year ended 31 December 2020

Group	Note	Share capital RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
		Non-distributable			Distributable	
At 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 139 to 246 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

		← 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 2020		**398,383**	**23,852**	**697,450**	**852,214**	**1,971,899**
Foreign currency translation differences for foreign operation		**-**	**(1,099)**	**-**	**-**	**(1,099)**
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**-**	**-**	**50,792**	**-**	**50,792**
Total other comprehensive (loss)/ income for the year		**-**	**(1,099)**	**50,792**	**-**	**49,693**
Profit for the year		**-**	**-**	**-**	**336,728**	**336,728**
Total comprehensive (loss)/ income for the year		**-**	**(1,099)**	**50,792**	**336,728**	**386,421**
Distributions to owners of the Company						
Dividends to owners of the Company	32	**-**	**-**	**-**	**(282,852)**	**(282,852)**
Total transaction with owners of the Company		**-**	**-**	**-**	**(282,852)**	**(282,852)**
At 31 December 2020		**398,383**	**22,753**	**748,242**	**906,090**	**2,075,468**
		Note 14.1	Note 14.2	Note 14.3		

The notes on pages 139 to 246 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

		← Non-distributable	→	Distributable	
Company	**Note**	**Share capital RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
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
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 139 to 246 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

		Non-distributable		Distributable	
Company	**Note**	**Share capital RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2020		**398,383**	**575,542**	**201,971**	**1,175,896**
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**-**	**49,324**	**-**	**49,324**
Total other comprehensive income for the year		**-**	**49,324**	**-**	**49,324**
Profit for the year		**-**	**-**	**242,206**	**242,206**
Total comprehensive income for the year		**-**	**49,324**	**242,206**	**291,530**
Distributions to owners of the Company					
Dividends to owners of the Company	32	**-**	**-**	**(282,852)**	**(282,852)**
Total transaction with owners of the Company		**-**	**-**	**(282,852)**	**(282,852)**
At 31 December 2020		**398,383**	**624,866**	**161,325**	**1,184,574**
		Note 14.1	Note 14.3		

The notes on pages 139 to 246 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating activities				
Profit before tax	**433,565**	414,719	**242,983**	257,435
Investment income	**(90,528)**	(106,481)	**(250,325)**	(265,242)
Net realised gains recorded in profit or loss	**(3)**	(6)	**-**	-
Net fair value (gains)/ losses recorded in profit or loss	**(1,502)**	(1,608)	**-**	136
Share of profit of equity accounted associated company	**(2,987)**	(1,776)	**-**	-
Purchase of financial assets carried at fair value through profit or loss	**(582,140)**	(204,609)	**-**	-
Purchase of financial assets carried at amortised cost	**(5,000)**	-	**-**	-
Maturity of financial assets carried at amortised cost	**35,000**	15,000	**-**	-
Maturity of financial assets carried at fair value through profit or loss	**18,050**	60,000	**-**	10,000
Interest on lease liabilities	**1,830**	1,446	**-**	-
Non-cash items:				
Depreciation of plant and equipment	**3,054**	2,912	**122**	122
Depreciation of right-of-use assets	**6,606**	6,976	**-**	-
Amortisation of intangible assets	**3,086**	2,074	**9**	3
Write off of plant and equipment	**-**	5	**-**	-
Unrealised foreign exchange gain	**(431)**	(215)	**-**	-
Net impairment loss on/ (Net reversal of) insurance receivables	**587**	(107)	**-**	-
Net impairment loss on/ (Net reversal of) investments carried at amortised cost	**1**	(18)	**-**	-
Changes in working capital:				
Decrease/ (Increase) in loans and receivables	**370,734**	(188,754)	**40,610**	(20,163)
(Increase)/ Decrease in reinsurance assets	**(288,315)**	88,043	**-**	-
(Increase)/ Decrease in insurance receivables	**(14,505)**	10,386	**-**	-
Decrease in deferred acquisition costs	**114**	1,689	**-**	-
Increase/ (Decrease) in insurance contract liabilities	**361,328**	(52,585)	**-**	-
Increase in insurance payables	**7,174**	4,782	**-**	-
Increase/ (Decrease) in other payables	**2,866**	(6,743)	**381**	348
Cash generated from/ (used in) operating activities	**258,584**	45,130	**33,780**	(17,361)
Dividend income received	**43,842**	40,629	**247,008**	259,764
Interest income received	**46,015**	65,107	**3,317**	5,478
Rental income on investment property received	**764**	844	**-**	-
Interest paid	**(1,830)**	(1,446)	**-**	-
Income tax refunded	**3,881**	-	**-**	-
Income tax paid	**(93,992)**	(98,172)	**(913)**	(1,239)
Net cash flows generated from operating activities	**257,264**	52,092	**283,192**	246,642

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Investing activities				
Proceeds from disposal of plant and equipment	**3**	6	**5**	-
Purchase of plant and equipment	**(2,449)**	(1,954)	**-**	(6)
Purchase of intangible assets	**(1,523)**	(2,308)	**-**	(24)
Net cash flows (used in)/ generated from investing activities	**(3,969)**	(4,256)	**5**	(30)
Financing activities				
Dividends paid to owners of the Company	**(282,852)**	(274,884)	**(282,852)**	(274,884)
Payment of lease liabilities	**(5,905)**	(6,333)	**-**	-
Net cash flows used in financing activities	**(288,757)**	(281,217)	**(282,852)**	(274,884)
Net (Decrease)/ Increase in cash and cash equivalents	**(35,462)**	(233,381)	**345**	(28,272)
Cash and cash equivalents at 1 January	**186,188**	418,509	**3,526**	31,798
Effect of movement in exchange rates	**62**	1,060	**-**	-
Cash and cash equivalents at 31 December (Note 13)	**150,788**	186,188	**3,871**	3,526

The notes on pages 139 to 246 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 is 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 2020 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 2020 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 2021.

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, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 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, interpretations and amendments:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 June 2020 and 1 January 2021;

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and amendments to MFRS 141 which are not applicable to the Group and the Company; and

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The initial application of the abovementioned accounting standards, interpretations and amendments is 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 and is effective for annual periods beginning on 1 January 2023. The standard will replace the existing MFRS 4 and establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. The Group expects the new standard will result in an important change to the accounting policies for insurances contract liabilities and the Group's financial statements presentation and disclosures. 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.

(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

NOTES TO THE FINANCIAL STATEMENTS

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) Associated companies (continued)

When the Group's interest in an associated company decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investment in associated company is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associated companies are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operation denominated in functional currencies other than Ringgit Malaysia

Financial statements of Singapore Branch of a subsidiary

The assets and liabilities of operations denominated in functional currencies other than RM, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associated company that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment, except for capital work-in-progress, are measured at cost less any accumulated depreciation and any accumulated impairment losses. Capital work-in-progress is measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and equipment (continued)

(i) Recognition and measurement (continued)

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the plant and equipment and is recognised net within "realised gains and losses" in profit or loss.

(ii) Subsequent costs

The cost of replacing component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group or the Company will obtain ownership by the end of the lease term. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

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

- Office equipment 4 years
- Furniture and fittings 4 years
- Renovation 5 years
- Computers 4 years
- Motor vehicles 5 years

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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 their 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

<u>The calculation method:-</u>

(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.
(iv) Reducing balance method for non-level risk exposure 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

(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.

(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

(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)

(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)

(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'.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Fair value measurements (continued)

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.

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 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 January 2020		**1,947**	**6,998**	**9,604**	**34,750**	**3,115**	**362**	**56,776**
Additions		**19**	**371**	**229**	**726**	**-**	**1,104**	**2,449**
Disposals		**-**	**(77)**	**-**	**-**	**-**	**-**	**(77)**
Written off		**-**	**(4)**	**-**	**-**	**-**	**-**	**(4)**
Reclassification		**-**	**201**	**650**	**-**	**-**	**(851)**	**-**
Effect of movement in exchange rates		**(1)**	**(1)**	**(6)**	**(2)**	**(2)**	**-**	**(12)**
At 31 December 2020		**1,965**	**7,488**	**10,477**	**35,474**	**3,113**	**615**	**59,132**

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 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 January 2020		**1,458**	**6,521**	**8,043**	**31,880**	**1,841**	**-**	**49,743**
Depreciation for the year	28	**199**	**288**	**600**	**1,353**	**614**	**-**	**3,054**
Disposals		**-**	**(77)**	**-**	**-**	**-**	**-**	**(77)**
Written off		**-**	**(4)**	**-**	**-**	**-**	**-**	**(4)**
Effect of movement in exchange rates		**(1)**	**-**	**(3)**	**(2)**	**(1)**	**-**	**(7)**
At 31 December 2020		**1,656**	**6,728**	**8,640**	**33,231**	**2,454**	**-**	**52,709**
Carrying amounts								
At 1 January 2019		444	478	1,794	4,266	1,858	9,419	18,259
At 31 December 2019/ 1 January 2020		**489**	**477**	**1,561**	**2,870**	**1,274**	**362**	**7,033**
At 31 December 2020		**309**	**760**	**1,837**	**2,243**	**659**	**615**	**6,423**

NOTES TO THE FINANCIAL STATEMENTS

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 2019		-	608	13	621
Additions		6	-	-	6
Transfer to intangible assets	6	-	-	(13)	(13)
At 31 December 2019/ 1 January 2020		**6**	**608**	**-**	**614**
Disposals		**(6)**	**-**	**-**	**(6)**
At 31 December 2020		**-**	**608**	**-**	**608**
Accumulated depreciation					
At 1 January 2019		-	294	-	294
Depreciation for the year	28	-	122	-	122
At 31 December 2019/ 1 January 2020		**-**	**416**	**-**	**416**
Depreciation for the year	28	**1**	**121**	**-**	**122**
Disposals		**(1)**	**-**	**-**	**(1)**
At 31 December 2020		**-**	**537**	**-**	**537**
Carrying amounts					
At 1 January 2019		-	314	13	327
At 31 December 2019/ 1 January 2020		**6**	**192**	**-**	**198**
At 31 December 2020		**-**	**71**	**-**	**71**

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

Group	2020 RM'000	2019 RM'000
At cost:		
Office equipment	**1,246**	1,108
Furniture and fittings	**6,167**	6,183
Renovation	**6,730**	6,459
Computers	**30,100**	29,431
Motor vehicles	**37**	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 for the year	28	(6,298)	(678)	(6,976)
Effect of movement in exchange rates		85	1	86
At 31 December 2019/ 1 January 2020		**45,826**	**906**	**46,732**
Additions	17.1	**1,839**	**298**	**2,137**
Depreciation for the year	28	**(6,283)**	**(323)**	**(6,606)**
Effect of movement in exchange rates		**(36)**	**-**	**(36)**
At 31 December 2020		**41,346**	**881**	**42,227**

4.1 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 2020, the Group has included all potential future cash flows of exercising the extension options in the lease liability.

4.2 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	Note	2020 RM'000	2019 RM'000
At 1 January		**27,540**	27,360
Change in fair value recognised in profit or loss	24	**122**	-
Effect of movement in exchange rates		**(90)**	180
At 31 December		**27,572**	27,540

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	2020 RM'000	2019 RM'000
Lease income	20, 22	**764**	844
Direct operating expenses		**(109)**	(102)

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

Group	2020 RM'000	2019 RM'000
Less than one year	**388**	612
One to two years	**248**	16
Total	**636**	628

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTIES (CONTINUED)

Fair value information

Fair value of investment properties are categorised as follows:

	2020 RM'000	2019 RM'000
Level 2 fair value		
Buildings	**27,572**	27,540

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 (2019: no transfer).

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS

Group	Note	Software RM'000	Capital work-in-progress RM'000	Total RM'000
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/ 1 January 2020		**11,895**	**1,658**	**13,553**
Additions		**571**	**952**	**1,523**
Reclassification		**1,655**	**(1,655)**	**-**
Effect of movement in exchange rates		**(4)**	**-**	**(4)**
At 31 December 2020		**14,117**	**955**	**15,072**
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/ 1 January 2020		**3,039**	**-**	**3,039**
Amortisation for the year	28	**3,086**	**-**	**3,086**
Effect of movement in exchange rates		**(3)**	**-**	**(3)**
At 31 December 2020		**6,122**	**-**	**6,122**
Carrying amounts				
At 1 January 2019		-	-	-
At 31 December 2019/ 1 January 2020		**8,856**	**1,658**	**10,514**
At 31 December 2020		**7,995**	**955**	**8,950**

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS (CONTINUED)

Company	Note	Software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost				
At 1 January 2019		-	-	-
Additions		-	24	24
Transfer from plant and equipment	3	-	13	13
Reclassification		37	(37)	-
At 31 December 2019/ 1 January 2020		**37**	**-**	**37**
Additions		**-**	**-**	**-**
Reclassification		**-**	**-**	**-**
At 31 December 2020		**37**	**-**	**37**
Amortisation				
At 1 January 2019		-	-	-
Amortisation for the year	28	3	-	3
At 31 December 2019/ 1 January 2020		**3**	**-**	**3**
Amortisation for the year	28	**9**	**-**	**9**
At 31 December 2020		**12**	**-**	**12**
Carrying amounts				
At 1 January 2019		-	-	-
At 31 December 2019/ 1 January 2020		**34**	**-**	**34**
At 31 December 2020		**25**	**-**	**25**

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.

6.1 Amortisation

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

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN A SUBSIDIARY

	2020 RM'000	2019 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 2020 %	2019 %
Lonpac Insurance Bhd	Underwriting of general insurance	**100**	100

8. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At cost				
Unquoted shares	**10,833**	10,833	**10,833**	10,833
Share of post-acquisition reserves*	**21,740**	18,753	**-**	-
Effect of movement in exchange rates	**2,748**	3,478	**-**	-
	35,321	33,064	**10,833**	10,833

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

Details of a material associate are as follows:

Name of entity	Principal place of business	Nature of the relationship	Effective ownership interest and voting interest 2020 %	2019 %
Campu Lonpac Insurance Plc	Cambodia	Underwriting of general insurance is the Group's strategic investment providing access to Cambodia market	**45**	45

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, is as follows:

	2020 RM'000	2019 RM'000
Group's share of results for the year ended 31 December		
Group's share of profit or loss from continuing operations	**2,987**	1,776
Effect of movement in exchange rates	**(730)**	(276)
	2,257	1,500

9. OTHER INVESTMENTS

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At fair value				
Investment in securities designated at FVOCI				
Equity securities in corporation				
Quoted in Malaysia	**907,613**	856,505	**875,926**	826,602

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	
	2020 RM'000	2019 RM'000
At fair value		
Investment mandatorily measured at FVTPL		
Unit trust		
Quoted in Malaysia	**791,262**	235,519
Real estate investment trusts ("REITs")		
Quoted in Malaysia	**3,321**	2,466
Exchange-traded fund ("ETF")		
Quoted outside Malaysia	**670**	714
Equity securities in corporations		
Quoted outside Malaysia	**3,712**	3,734
Unquoted in Malaysia	**1,375**	1,312
	5,087	5,046
Corporate bonds and sukuk		
Unquoted in Malaysia	**84,568**	72,853
Unquoted outside Malaysia	**6,497**	9,464
	91,065	82,317
Total FVTPL	**891,405**	326,062

Included in the Group'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 RM27,416,000 (2019: RM26,501,000).

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INVESTMENTS (CONTINUED)

(c) Amortised cost ("AC")

Group	Note	2020 Carrying value RM'000	2020 Fair value RM'000	2019 Carrying value RM'000	2019 Fair value RM'000
At amortised cost					
Malaysian government guaranteed loans		**20,000**	**20,967**	40,010	40,904
Corporate bonds and sukuk					
Unquoted in Malaysia		**20,001**	**20,306**	30,002	30,378
Unquoted outside Malaysia		**12,948**	**13,623**	12,992	13,262
		32,949	**33,929**	42,994	43,640
Allowance for impairment	35.4	**(5)**	**-**	(4)	-
		32,944	**33,929**	42,990	43,640
Total AC		**52,944**	**54,896**	83,000	84,544

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 (2019: 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 estimated fair values of Malaysian government guaranteed loans and 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.

The following debt securities mature after 12 months:

	Group 2020 RM'000	Group 2019 RM'000
Fair value through profit or loss	**86,011**	64,124
Amortised cost	**37,944**	47,990

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INVESTMENTS (CONTINUED)

(e) Carrying values of other investments

Group	FVOCI RM'000	FVTPL RM'000	AC RM'000	Total RM'000
At 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/ 1 January 2020	**856,505**	**326,062**	**83,000**	**1,265,567**
Addition/ Dividend	**-**	**582,140**	**5,000**	**587,140**
Maturity	**-**	**(18,050)**	**(35,000)**	**(53,050)**
Fair value gain recorded in:				
Profit or loss	**-**	**1,380**	**-**	**1,380**
Other comprehensive income	**51,121**	**-**	**-**	**51,121**
Amortisation	**-**	**(81)**	**(12)**	**(93)**
Net impairment loss	**-**	**-**	**(1)**	**(1)**
Effect of movement in exchange rates	**(13)**	**(46)**	**(43)**	**(102)**
At 31 December 2020	**907,613**	**891,405**	**52,944**	**1,851,962**

Company	FVOCI RM'000	FVTPL RM'000	Total RM'000
At 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/ 1 January 2020	**826,602**	**-**	**826,602**
Fair value gain recorded in:			
Other comprehensive income	**49,324**	**-**	**49,324**
At 31 December 2020	**875,926**	**-**	**875,926**

NOTES TO THE FINANCIAL STATEMENTS

10. REINSURANCE ASSETS

		Group	
		2020	2019
	Note	RM'000	RM'000
Reinsurance of insurance contracts			
Claims liabilities	15	**777,420**	493,388
Premium liabilities	15	**242,586**	238,418
		1,020,006	731,806

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Staff loans				
Receivable within twelve months	**2,493**	2,593	**-**	-
Receivable after twelve months	**22,631**	25,350	**-**	-
	25,124	27,943	**-**	-
Fixed and call deposits with licensed financial institutions with maturity more than three months				
Licensed banks in Malaysia	**929,509**	1,301,054	**95,100**	134,600
Banks outside Malaysia	**147,914**	127,173	**-**	-
	1,077,423	1,428,227	**95,100**	134,600
Other receivables				
Due from Malaysian Motor Insurance Pool	**47,243**	48,889	**-**	-
Other receivables, deposits and prepayments	**3,757**	4,818	**55**	85
Income due and accrued	**15,507**	30,033	**678**	1,758
	66,507	83,740	**733**	1,843
Total loans and receivables	**1,169,054**	1,539,910	**95,833**	136,443

Included in the fixed and call deposits of the Group are RM61,440,000 (2019: RM63,830,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

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

The following loans and receivables mature after 12 months:

	Group	
	2020 RM'000	2019 RM'000
Staff loans	**22,631**	25,350

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.

11(b). INSURANCE RECEIVABLES

		Group	
	Note	2020 RM'000	2019 RM'000
Due premiums including agents, brokers and co-insurers balances		**144,750**	135,115
Due from reinsurers and cedants		**21,534**	16,713
		166,284	151,828
Allowance for impairment	35.4	**(2,637)**	(2,050)
		163,647	149,778

NOTES TO THE FINANCIAL STATEMENTS

12. DEFERRED ACQUISITION COSTS

	Note	Group 2020 RM'000	Group 2019 RM'000
Gross of reinsurance			
At 1 January		**86,197**	88,848
Movement during the year	25	**(1,196)**	(2,701)
Effect of movement in exchange rates		**(31)**	50
At 31 December		**84,970**	86,197
Reinsurance			
At 1 January		**(42,320)**	(43,295)
Movement during the year	25	**1,082**	1,013
Effect of movement in exchange rates		**24**	(38)
At 31 December		**(41,214)**	(42,320)
Net of reinsurance			
At 1 January		**43,877**	45,553
Movement during the year		**(114)**	(1,688)
Effect of movement in exchange rates		**(7)**	12
At 31 December		**43,756**	43,877

13. CASH AND CASH EQUIVALENTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Amortised cost				
Cash and bank balances	**39,487**	21,717	**198**	127
Fixed and call deposits with licensed financial institutions with maturity of three months or less				
Licensed banks in Malaysia	**110,072**	156,565	**3,673**	3,399
Banks outside Malaysia	**1,229**	7,906	**-**	-
	150,788	186,188	**3,871**	3,526

The carrying amounts disclosed above approximate their fair values due to the relatively short-term nature of these financial instruments.

Included in the fixed and call deposits of the Group are RM1,247,000 (2019: RM2,398,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

14. CAPITAL AND RESERVES

14.1 Share capital

	Group and Company			
	2020		2019	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares, issued and fully paid				
At 1 January/ At 31 December	**398,383**	**398,383**	398,383	398,383

Ordinary shares

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.

15. INSURANCE CONTRACT LIABILITIES

	2020			2019		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
General insurance	**2,168,123**	**(1,020,006)**	**1,148,117**	1,807,222	(731,806)	1,075,416

NOTES TO THE FINANCIAL STATEMENTS

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

		2020			2019		
Group	**Note**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Provision for claims reported by policyholders		**1,084,673**	**(663,217)**	**421,456**	814,265	(413,126)	401,139
Provision for IBNR		**264,395**	**(114,203)**	**150,192**	193,268	(80,262)	113,006
Provision for outstanding claims	15.1	**1,349,068**	**(777,420)**	**571,648**	1,007,533	(493,388)	514,145
Provision for unearned premiums	15.3	**819,055**	**(242,586)**	**576,469**	799,689	(238,418)	561,271
		2,168,123	**(1,020,006)**	**1,148,117**	1,807,222	(731,806)	1,075,416
			Note 10			Note 10	

15.1 Provision for outstanding claims

		2020			2019		
Group	**Note**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
At 1 January		**1,007,533**	**(493,388)**	**514,145**	1,087,758	(607,290)	480,468
Claims incurred for the current accident year (direct and facultative)		**879,735**	**(454,322)**	**425,413**	639,411	(169,117)	470,294
Adjustment to claims incurred in prior accident years (direct and facultative)		**(39,279)**	**24,832**	**(14,447)**	(131,551)	103,261	(28,290)
Claims incurred during the year (treaty inwards claims)		**2,619**	**-**	**2,619**	2,400	-	2,400
Movement in PRAD of claims liabilities at 75% confidence level		**24,598**	**(21,764)**	**2,834**	5,693	(5,194)	499
Movement in claims handling expenses		**2,420**	**-**	**2,420**	(385)	-	(385)
Claims paid during the year	27	**(528,326)**	**167,176**	**(361,150)**	(596,301)	185,100	(411,201)
Effect of movement in exchange rates		**(232)**	**46**	**(186)**	508	(148)	360
At 31 December	15.2, 27	**1,349,068**	**(777,420)**	**571,648**	1,007,533	(493,388)	514,145

NOTES TO THE FINANCIAL STATEMENTS

15. INSURANCE CONTRACT LIABILITIES (CONTINUED)

15.2 Provision for outstanding claims by business

		2020			2019		
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	**385,364**	**963,704**	**1,349,068**	353,522	654,011	1,007,533
Reinsurance		**(30,526)**	**(746,894)**	**(777,420)**	(33,652)	(459,736)	(493,388)
Net claims	34	**354,838**	**216,810**	**571,648**	319,870	194,275	514,145

15.3 Provision for unearned premiums

		2020			2019		
Group	**Note**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
At 1 January		**799,689**	**(238,418)**	**561,271**	771,236	(212,306)	558,930
Premiums written during the year	21	**1,550,625**	**(519,538)**	**1,031,087**	1,524,368	(510,718)	1,013,650
Premiums earned during the year	21	**(1,531,064)**	**515,301**	**(1,015,763)**	(1,496,220)	484,711	(1,011,509)
Effect of movement in exchange rates		**(195)**	**69**	**(126)**	305	(105)	200
At 31 December		**819,055**	**(242,586)**	**576,469**	799,689	(238,418)	561,271

16. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Recognised deferred tax liabilities are attributable to the following:

	Group 2020 RM'000	Group 2019 RM'000
Other investments at FVOCI	**2,995**	2,666
Other investments at FVTPL	**1,541**	1,198
Allowance for impairment	**(631)**	(489)
	3,905	3,375

NOTES TO THE FINANCIAL STATEMENTS

16. DEFERRED TAX LIABILITIES (CONTINUED)

Movement in temporary differences during the financial year

Group	Note	Other investments at FVOCI RM'000	Other investments at FVTPL RM'000	Allowance for impairment RM'000	Total RM'000
At 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/ 1 January 2020		**2,666**	**1,198**	**(489)**	**3,375**
Recognised in profit or loss	30	**-**	**343**	**(142)**	**201**
Recognised in other comprehensive income	30	**329**	**-**	**-**	**329**
At 31 December 2020		**2,995**	**1,541**	**(631)**	**3,905**

17. LEASE LIABILITIES

Leases as lessee

	Group	
	2020 RM'000	2019 RM'000
Lease liabilities are payables as follows:		
- Within next 12 months	**6,097**	5,801
- After next 12 months	**37,474**	41,574
	43,571	47,375

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

	Note	Group	
		2020 RM'000	2019 RM'000
At 1 January		**47,375**	22,863
Net changes from financing cash flows		**(5,905)**	(6,333)
Acquisition of new lease	4	**2,137**	30,759
Effect of movement in exchange rates		**(36)**	86
At 31 December		**43,571**	47,375

NOTES TO THE FINANCIAL STATEMENTS

17. LEASE LIABILITIES (CONTINUED)

17.2 Amounts recognised in statement of cash flows

		Group	
	Note	2020 RM'000	2019 RM'000
Included in net cash from operating activities:			
Interest on lease liabilities		**(1,830)**	(1,446)
Payment relating to short-term leases	28	**(84)**	(102)
Payment relating to leases of low-value assets	28	**(462)**	(390)
Included in net cash from financing activities:			
Payment of lease liabilities		**(5,905)**	(6,333)
Total cash outflows for leases		**(8,281)**	(8,271)

17.3 Maturity analysis

The maturity profile of the lease liabilities of the Group based on remaining undiscounted contractual obligations, including interest/profit payable are as follows:

	Group	
	2020 RM'000	2019 RM'000
Up to one year	**7,729**	7,593
1 to 3 years	**14,981**	14,843
3 to 5 years	**11,356**	13,171
5 to 15 years	**17,148**	21,043
Total undiscounted lease liabilities at 31 December	**51,214**	56,650

The interest rate of the lease liabilities ranging from 2.6% to 10.7%.

NOTES TO THE FINANCIAL STATEMENTS

18. INSURANCE PAYABLES

	Group	
	2020 RM'000	2019 RM'000
Due to reinsurers and cedants	**87,231**	87,282
Due to agents, brokers, co-insurers and insured	**13,226**	6,007
	100,457	93,289

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

19. OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash collateral deposits received from policyholders	**67,267**	70,857	**-**	-
Deposit premiums	**3,126**	213	**-**	-
Other payables	**14,610**	14,130	**-**	23
Accrued expenses	**18,299**	15,291	**1,892**	1,488
	103,302	100,491	**1,892**	1,511

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

20. OPERATING REVENUE

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gross earned premiums	21	**1,531,064**	1,496,220	**-**	-
Dividend income		**43,842**	40,629	**247,008**	259,764
Interest income (net of amortisation of premiums and accretion of discounts)		**45,922**	65,008	**3,317**	5,478
Rental of premises	5, 22	**764**	844	**-**	-
		1,621,592	1,602,701	**250,325**	265,242

NOTES TO THE FINANCIAL STATEMENTS

21. UNDERWRITING RESULTS OF INSURANCE FUND

		Fire		Motor		Marine, aviation & transit		Miscellaneous		Total	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Gross written premiums		**636,765**	631,107	**368,569**	352,319	**81,468**	94,618	**463,823**	446,324	**1,550,625**	1,524,368
Change in unearned premiums provision		**(6,042)**	(2,578)	**(12,016)**	(11,662)	**1,899**	(7,445)	**(3,402)**	(6,463)	**(19,561)**	(28,148)
Gross earned premiums	20	**630,723**	628,529	**356,553**	340,657	**83,367**	87,173	**460,421**	439,861	**1,531,064**	1,496,220
Gross written premiums ceded to reinsurers		**(219,727)**	(214,382)	**(16,907)**	(15,942)	**(64,799)**	(75,626)	**(218,105)**	(204,768)	**(519,538)**	(510,718)
Change in unearned premiums provision		**4,503**	4,878	**2,085**	1,207	**(1,555)**	7,820	**(796)**	12,102	**4,237**	26,007
Premiums ceded to reinsurers		**(215,224)**	(209,504)	**(14,822)**	(14,735)	**(66,354)**	(67,806)	**(218,901)**	(192,666)	**(515,301)**	(484,711)
Net earned premiums		**415,499**	419,025	**341,731**	325,922	**17,013**	19,367	**241,520**	247,195	**1,015,763**	1,011,509

NOTES TO THE FINANCIAL STATEMENTS

21. UNDERWRITING RESULTS OF INSURANCE FUND (CONTINUED)

		Fire		Motor		Marine, aviation & transit		Miscellaneous		Total	
Group	**Note**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Net claims incurred	27	**(51,426)**	(51,613)	**(233,957)**	(235,931)	**(4,104)**	(5,905)	**(129,352)**	(151,069)	**(418,839)**	(444,518)
Commission income	25	**54,552**	44,713	**1,710**	1,639	**6,442**	7,080	**49,916**	48,722	**112,620**	102,154
Commission expense	25	**(74,159)**	(74,339)	**(34,546)**	(32,914)	**(3,853)**	(4,152)	**(62,312)**	(59,452)	**(174,870)**	(170,857)
Net commission		**(19,607)**	(29,626)	**(32,836)**	(31,275)	**2,589**	2,928	**(12,396)**	(10,730)	**(62,250)**	(68,703)
Total out-go		**(71,033)**	(81,239)	**(266,793)**	(267,206)	**(1,515)**	(2,977)	**(141,748)**	(161,799)	**(481,089)**	(513,221)
Underwriting surplus before management expenses		**344,466**	337,786	**74,938**	58,716	**15,498**	16,390	**99,772**	85,396	**534,674**	498,288
Management expenses of the insurance fund										**(195,772)**	(193,142)
Underwriting surplus after management expenses										**338,902**	305,146
Net claims incurred ratio (%)		**12.4**	12.3	**68.5**	72.4	**24.1**	30.5	**53.6**	61.1	**41.2**	43.9

NOTES TO THE FINANCIAL STATEMENTS

22. INVESTMENT INCOME

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
FVOCI financial assets					
Dividend income					
- Equity securities quoted in Malaysia		**17,625**	30,853	**17,008**	29,764
FVTPL financial assets					
Dividend income					
- Equity securities quoted outside Malaysia		**103**	148	**-**	-
- Unquoted equity securities in Malaysia		**94**	47	**-**	-
- Unit trust		**25,848**	5,391	**-**	-
- Real estate investment trusts ("REITs")		**142**	140	**-**	-
- Exchange-traded fund ("ETF")		**30**	30	**-**	-
- Liquid investments		**-**	4,020	**-**	-
Interest/ profit income					
- Corporate bonds and sukuk		**3,650**	5,743	**-**	325
Amortisation of premiums, net of accretion of discounts		**(81)**	(74)	**-**	-
Amortised cost					
Interest/ profit income					
- Malaysian government guaranteed loans		**1,407**	1,728	**-**	-
- Corporate bonds and sukuk		**1,367**	2,109	**-**	-
- Fixed and call deposits		**39,591**	55,527	**3,317**	5,153
Amortisation of premiums, net of accretion of discounts		**(12)**	(25)	**-**	-
Dividend income from unquoted subsidiary		**-**	-	**230,000**	230,000
Rental of properties received from third parties	5, 20	**764**	844	**-**	-
Total investment income		**90,528**	106,481	**250,325**	265,242

23. REALISED GAINS AND LOSSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Realised gains for:				
Gain on disposal of plant and equipment	**3**	6	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

24. FAIR VALUE GAINS AND LOSSES

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fair value gains for:					
Investment properties	5	**122**	-	**-**	-
FVTPL financial assets					
Equity securities in corporations					
- Quoted outside Malaysia		**-**	75	**-**	-
- Unquoted in Malaysia		**63**	-	**-**	-
Unit trust					
- Quoted in Malaysia		**136**	-	**-**	-
Real estate investment trusts ("REITs")					
- Quoted in Malaysia		**-**	101	**-**	-
Exchange-traded fund ("ETF")					
- Quoted outside Malaysia		**-**	120	**-**	-
Corporate bonds and sukuk					
- Unquoted in Malaysia		**1,715**	1,153	**-**	-
- Unquoted outside Malaysia		**194**	274	**-**	-
		2,230	1,723	**-**	-
Fair value losses for:					
FVTPL financial assets					
Equity securities in corporations					
- Quoted outside Malaysia		**(394)**	-	**-**	-
- Unquoted in Malaysia		**-**	(16)	**-**	-
Unit trust					
- Quoted in Malaysia		**-**	(99)	**-**	-
Real estate investment trusts ("REITs")					
- Quoted in Malaysia		**(293)**	-	**-**	-
Exchange-traded fund ("ETF")					
- Quoted outside Malaysia		**(41)**	-	**-**	-
Corporate bonds and sukuk					
- Unquoted in Malaysia		**-**	-	**-**	(136)
Liquid investments		**-**	(10)	**-**	-
		(728)	(125)	**-**	(136)

NOTES TO THE FINANCIAL STATEMENTS

25. COMMISSION INCOME/ (EXPENSE)

		Group	
	Note	2020 RM'000	2019 RM'000
Commission income			
Commission income		**111,538**	101,141
Movement in deferred acquisition costs	12	**1,082**	1,013
Total commission income	21	**112,620**	102,154
Commission expense			
Commission expense		**(173,674)**	(168,156)
Movement in deferred acquisition costs	12	**(1,196)**	(2,701)
Total commission expense	21	**(174,870)**	(170,857)

26. OTHER OPERATING INCOME

Group	2020 RM'000	2019 RM'000
Interest on staff car loans	**27**	52
Interest on staff housing loans	**580**	711
Interest on bank balance	**7**	29
Sundry income	**5,726**	6,182
	6,340	6,974

27. NET CLAIMS INCURRED

		Group	
	Note	2020 RM'000	2019 RM'000
Gross claims paid less salvage	15.1	**528,326**	596,301
Claims ceded to reinsurers	15.1	**(167,176)**	(185,100)
Net claims paid	15.1	**361,150**	411,201
Gross change in claims liabilities:			
At 31 December	15.1	**1,349,068**	1,007,533
At 1 January	15.1	**(1,007,533)**	(1,087,758)
Effect of movement in exchange rates		**232**	(508)
		341,767	(80,733)
Change in claims liabilities ceded to reinsurers:			
At 31 December	15.1	**(777,420)**	(493,388)
At 1 January	15.1	**493,388**	607,290
Effect of movement in exchange rates		**(46)**	148
		(284,078)	114,050
	21	**418,839**	444,518

NOTES TO THE FINANCIAL STATEMENTS

28. MANAGEMENT EXPENSES

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Personnel expenses (including key management personnel)					
Company's Directors					
- Directors' fees	29	**2,160**	1,815	**1,430**	1,085
- Directors' remuneration	29	**3,587**	3,609	**3,183**	3,229
Subsidiary's Directors					
- Directors' fees	29	**750**	575	**-**	-
- Directors' remuneration	29	**2,235**	1,959	**-**	-
Wages, salaries and others		**115,338**	113,676	**696**	1,253
Contributions to Employees' Provident Fund		**13,081**	12,696	**77**	137
		137,151	134,330	**5,386**	5,704
Auditors' remuneration					
Auditors of the Company					
- Statutory audit		**473**	400	**90**	90
- Other services		**347**	106	**5**	5
Affiliates of auditors of the Company					
- Statutory audit		**320**	394	**-**	-
- Other services		**170**	66	**8**	8
Bad debts written-off		**3**	50	**-**	-
Depreciation of plant and equipment	3	**3,054**	2,912	**122**	122
Depreciation of right-of-use assets	4	**6,606**	6,976	**-**	-
Amortisation of intangible assets	6	**3,086**	2,074	**9**	3
Expenses relating to short-term leases	17.2	**84**	102	**41**	45
Expenses relating to leases of low-value assets	17.2	**462**	390	**-**	-
Realised foreign exchange gain		**(44)**	(20)	**-**	-
Unrealised foreign exchange gain		**(431)**	(215)	**-**	-
Write off of plant and equipment		**-**	5	**-**	-
Other expenses		**48,770**	51,513	**1,681**	1,694
Total management expenses		**200,051**	199,083	**7,342**	7,671

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 2020	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	150	1,260	1,339	312	21	41	3,123
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	450	-	-	-	8	35	493
- Tee Choon Yeow	460	-	-	-	158	-	618
- Lee Chin Guan	350	-	-	-	158	-	508
- Quah Poh Keat	300	-	-	-	116	-	416
- Chan Kwai Hoe	300	-	-	-	158	-	458
- Soo Chow Lai	150	-	-	-	57	-	207
	2,010	-	-	-	655	35	2,700
Total Directors' remuneration (including benefits-in-kind)	2,160	1,260	1,339	312	676	76	5,823
Other key management personnel							
Executive Director and Chief Executive Officer of subsidiary							
- Looi Kong Meng	150	864	738	192	41	35	2,020
Non-Executive Directors of subsidiary							
- Encik Mohd Suffian Bin Haji Haron	150	-	-	-	100	-	250
- Wong Ah Kow	150	-	-	-	100	-	250
- Ng Chwe Hwa	150	-	-	-	100	-	250
- Woo Chew Hong	150	-	-	-	100	-	250
	600	-	-	-	400	-	1,000
Total other key management personnel remuneration (including benefits-in-kind)	750	864	738	192	441	35	3,020
Total Directors' and other key management personnel remuneration (including benefits-in-kind)	2,910	2,124	2,077	504	1,117	111	8,843

NOTES TO THE FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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)

Company 2020	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	**150**	**1,260**	**1,339**	**312**	**21**	**41**	**3,123**
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	**450**	**-**	**-**	**-**	**8**	**-**	**458**
- Tee Choon Yeow	**230**	**-**	**-**	**-**	**57**	**-**	**287**
- Lee Chin Guan	**150**	**-**	**-**	**-**	**57**	**-**	**207**
- Quah Poh Keat	**150**	**-**	**-**	**-**	**15**	**-**	**165**
- Chan Kwai Hoe	**150**	**-**	**-**	**-**	**57**	**-**	**207**
- Soo Chow Lai	**150**	**-**	**-**	**-**	**57**	**-**	**207**
	1,280	**-**	**-**	**-**	**251**	**-**	**1,531**
Total Directors' remuneration (including benefits-in-kind)	**1,430**	**1,260**	**1,339**	**312**	**272**	**41**	**4,654**

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

NOTES TO THE FINANCIAL STATEMENTS

30. TAX EXPENSE

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Recognised in profit or loss					
Current tax expense					
Malaysian					
- current year		**96,777**	91,282	**777**	1,282
- prior years		**(1,093)**	(176)	**-**	(1)
Overseas					
- current year		**995**	1,229	**-**	-
- prior years		**(43)**	(79)	**-**	-
Total current tax recognised in profit or loss		**96,636**	92,256	**777**	1,281
Deferred tax expense					
Malaysian					
- origination and reversal of temporary differences		**244**	144	**-**	-
Overseas					
- origination and reversal of temporary differences		**(43)**	(42)	**-**	-
Total deferred tax recognised in profit or loss	16	**201**	102	**-**	-
Share of tax of equity accounted associated company		**192**	225	**-**	-
Total income tax expense		**97,029**	92,583	**777**	1,281
Reconciliation of tax expense					
Profit for the year		**336,728**	322,361	**242,206**	256,154
Total taxation		**97,029**	92,583	**777**	1,281
Profit excluding tax		**433,757**	414,944	**242,983**	257,435
Income tax using Malaysian tax rate of 24% (2019: 24%)		**104,102**	99,586	**58,316**	61,784
Effect of lower tax rates for reinsurance inwards		**(336)**	(778)	**-**	-
Difference in effective tax rate of equity accounted associated company		**(571)**	(255)	**-**	-
Non-deductible expenses		**4,475**	4,301	**1,743**	1,841
Tax exempt income		**(11,131)**	(10,842)	**(59,282)**	(62,343)
Other items		**1,626**	826	**-**	-
		98,165	92,838	**777**	1,282
Over provision in prior years		**(1,136)**	(255)	**-**	(1)
Tax expense		**97,029**	92,583	**777**	1,281

NOTES TO THE FINANCIAL STATEMENTS

30. TAX EXPENSE (CONTINUED)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Recognised in OCI					
Items that will not be reclassified to profit or loss					
FVOCI financial assets					
- Deferred tax	16	**329**	(1,487)	**-**	-

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 RM336,728,000 (2019: RM322,361,000) and the weighted average number of ordinary shares outstanding during the year of 398,382,753 (2019: 398,382,753).

Diluted earnings per ordinary shares

The Group has no dilution in its earnings per ordinary shares at 31 December 2020 and 31 December 2019.

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
2020			
Second interim 2019 ordinary	**43.00**	**171,305**	**26 February 2020**
First interim 2020 ordinary	**28.00**	**111,547**	**11 September 2020**
Total amount		**282,852**	
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	

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	44.00	175,289

The dividend will be payable on 1 March 2021 and will be recognised in subsequent financial period. The Directors do not propose any final dividend for the financial year ended 31 December 2020.

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 2020 RM'000	General insurance 2019 RM'000	Investment holding 2020 RM'000	Investment holding 2019 RM'000	Total 2020 RM'000	Total 2019 RM'000
Business segments						
External revenue	**1,601,267**	1,567,459	**20,325**	35,242	**1,621,592**	1,602,701
Inter-segment revenue	**-**	-	**230,000**	230,000	**230,000**	230,000
Total revenue	**1,601,267**	1,567,459	**250,325**	265,242	**1,851,592**	1,832,701
Segment profit before tax	**420,582**	387,284	**242,983**	257,435	**663,565**	644,719
Segment assets	**3,543,980**	3,079,087	**1,175,726**	1,166,803	**4,719,706**	4,245,890
Segment liabilities	**2,442,253**	2,072,251	**1,985**	1,740	**2,444,238**	2,073,991

	Malaysia 2020 RM'000	Malaysia 2019 RM'000	Outside Malaysia 2020 RM'000	Outside Malaysia 2019 RM'000	Eliminations 2020 RM'000	Eliminations 2019 RM'000	Consolidated 2020 RM'000	Consolidated 2019 RM'000
Geographical segments by location of customers/ assets								
Revenue from external customers	**1,520,580**	1,512,410	**101,012**	90,291	**-**	-	**1,621,592**	1,602,701
Segment assets	**4,262,079**	3,819,388	**366,965**	330,469	**(109,338)**	(103,967)	**4,519,706**	4,045,890

NOTES TO THE FINANCIAL STATEMENTS

33. OPERATING SEGMENTS (CONTINUED)

Reconciliation of reportable segment revenue, profit and assets.

Group	2020 RM'000	2019 RM'000
Revenue		
Total revenue for reportable segments	**1,851,592**	1,832,701
Elimination of inter-segment revenue	**(230,000)**	(230,000)
Consolidated revenue	**1,621,592**	1,602,701
Profit		
Total profit for reportable segments	**663,565**	644,719
Elimination of inter-segment profit	**(230,000)**	(230,000)
Consolidated profit before tax	**433,565**	414,719
Assets		
Total assets for reportable segments	**4,719,706**	4,245,890
Elimination of inter-segment assets	**(200,000)**	(200,000)
Consolidated assets	**4,519,706**	4,045,890

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 pricing review once in every three or five years. 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.

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

The Group is also exposed to risks arising from climate changes, natural disasters, terrorism activities, regulatory changes such as the phased liberalisation of motor and fire tariff and pandemic such as the Covid-19 pandemic. 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.

	2020			2019		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	**368,569**	**(16,907)**	**351,662**	352,319	(15,942)	336,377
Fire	**636,765**	**(219,727)**	**417,038**	631,107	(214,382)	416,725
Marine, aviation and transit	**81,468**	**(64,799)**	**16,669**	94,618	(75,626)	18,992
Miscellaneous	**463,823**	**(218,105)**	**245,718**	446,324	(204,768)	241,556
	1,550,625	**(519,538)**	**1,031,087**	1,524,368	(510,718)	1,013,650

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

	2020			2019		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	**579,567**	**(35,956)**	**543,611**	535,771	(36,993)	498,778
Fire	**659,809**	**(375,644)**	**284,165**	506,494	(231,277)	275,217
Marine, aviation and transit	**257,812**	**(243,589)**	**14,223**	109,784	(94,975)	14,809
Miscellaneous	**670,935**	**(364,817)**	**306,118**	655,173	(368,561)	286,612
	2,168,123	**(1,020,006)**	**1,148,117**	1,807,222	(731,806)	1,075,416

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, such as the impact of Covid-19 pandemic.

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
2020					
Average claims cost	+10%	**126,114**	**54,789**	**(54,789)**	**(41,640)**
Average number of claims	+10%	**82,457**	**42,546**	**(42,546)**	**(32,335)**
Average claims settlement period	Increased by 6 months	**31,144**	**13,417**	**(13,417)**	**(10,197)**
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)

* Impact on equity reflects adjustments for tax, when applicable.

Claims development table

The following tables show the Group's estimates 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 2020 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 2020:

Group - Motor

Accident year	2012 and prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		171,288	174,581	215,556	227,212	233,704	253,152	262,672	241,053	-
One year later		167,276	171,442	205,004	220,901	222,874	249,092	275,283	-	-
Two years later		165,398	168,537	199,141	220,560	219,253	250,041	-	-	-
Three years later		162,055	166,733	190,368	220,391	217,918	-	-	-	-
Four years later		161,557	163,151	188,277	217,234	-	-	-	-	-
Five years later		159,682	163,431	187,730	-	-	-	-	-	-
Six years later		155,543	159,172	-	-	-	-	-	-	-
Seven years later		154,890	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		154,890	159,172	187,730	217,234	217,918	250,041	275,283	241,053	1,703,321
At end of accident year		75,232	72,600	83,456	95,466	101,493	104,593	113,731	93,325	-
One year later		123,360	121,197	145,287	162,331	168,653	181,273	192,197	-	-
Two years later		139,892	141,315	165,652	188,973	190,361	206,025	-	-	-
Three years later		147,941	149,514	173,449	199,319	196,716	-	-	-	-
Four years later		152,562	153,226	177,052	206,586	-	-	-	-	-
Five years later		153,514	155,363	178,936	-	-	-	-	-	-
Six years later		154,435	156,263	-	-	-	-	-	-	-
Seven years later		154,464	-	-	-	-	-	-	-	-
Cumulative payments to-date		154,464	156,263	178,936	206,586	196,716	206,025	192,197	93,325	1,384,512

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2020 (continued):

Group - Motor

Accident year	Note	2012 and prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		140	426	2,909	8,794	10,648	21,202	44,016	83,086	147,728	318,949
Gross general insurance outstanding liabilities (treaty inwards)											96
Gross general insurance outstanding liabilities (MMIP)											23,697
Best estimate of claims liabilities											342,742
Claims handling expenses											7,467
Fund PRAD at 75% confidence level											35,155
Gross provision for outstanding claims	15.2										385,364

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

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2019 (continued):

Group - Motor

Accident year	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 inwards)											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 2020:

Group - Non-motor

Accident year	2012 and prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		324,501	279,158	299,458	315,598	403,374	545,692	377,393	639,568	-
One year later		349,282	293,128	349,137	287,273	360,709	498,007	387,114	-	-
Two years later		336,316	274,247	301,291	275,428	342,059	477,461	-	-	-
Three years later		303,759	251,598	287,233	267,125	324,134	-	-	-	-
Four years later		300,078	251,002	287,081	258,943	-	-	-	-	-
Five years later		297,789	251,143	287,514	-	-	-	-	-	-
Six years later		267,239	247,249	-	-	-	-	-	-	-
Seven years later		262,866	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		262,866	247,249	287,514	258,943	324,134	477,461	387,114	639,568	2,884,849
At end of accident year		83,519	76,250	73,827	110,409	122,442	132,996	155,203	142,500	-
One year later		176,147	192,412	228,703	216,755	251,088	293,846	257,839	-	-
Two years later		223,446	218,678	259,159	237,659	272,978	341,395	-	-	-
Three years later		236,986	227,757	267,323	243,546	287,849	-	-	-	-
Four years later		255,019	230,184	274,429	246,494	-	-	-	-	-
Five years later		259,066	231,840	275,610	-	-	-	-	-	-
Six years later		260,506	232,429	-	-	-	-	-	-	-
Seven years later		256,873	-	-	-	-	-	-	-	-
Cumulative payments to-date		256,873	232,429	275,610	246,494	287,849	341,395	257,839	142,500	2,040,989

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2020 (continued):

Group - Non-motor

Accident year	Note	2012 and prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		5,274	5,993	14,820	11,904	12,449	36,285	136,066	129,275	497,068	849,134
Gross general insurance outstanding liabilities (treaty inwards)											1,940
Best estimate of claims liabilities											851,074
Claims handling expenses											4,839
Fund PRAD at 75% confidence level											107,791
Gross provision for outstanding claims	15.2										963,704

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

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2019 (continued):

Group - Non-motor

Accident year	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 inwards)											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)

Net general insurance claim liabilities for 2020:

Group - Motor

Accident year	2012 and prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		144,898	144,243	173,556	182,729	204,560	234,092	253,971	232,211	-
One year later		141,320	140,217	165,112	179,545	195,522	230,422	261,199	-	-
Two years later		139,198	138,031	158,583	175,446	190,842	229,833	-	-	-
Three years later		137,617	136,686	153,602	173,301	189,544	-	-	-	-
Four years later		136,685	134,184	151,625	171,596	-	-	-	-	-
Five years later		135,005	133,906	151,141	-	-	-	-	-	-
Six years later		131,709	130,518	-	-	-	-	-	-	-
Seven years later		131,066	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		131,066	130,518	151,141	171,596	189,544	229,833	261,199	232,211	1,497,108
At end of accident year		64,520	60,592	68,167	78,680	88,483	98,373	110,384	90,932	-
One year later		104,998	100,425	118,175	133,858	148,453	170,771	184,869	-	-
Two years later		118,897	116,298	134,079	150,964	165,656	190,251	-	-	-
Three years later		125,744	123,038	140,262	158,944	171,300	-	-	-	-
Four years later		129,278	126,316	142,790	162,847	-	-	-	-	-
Five years later		130,021	127,986	144,090	-	-	-	-	-	-
Six years later		130,783	128,654	-	-	-	-	-	-	-
Seven years later		130,798	-	-	-	-	-	-	-	-
Cumulative payments to-date		130,798	128,654	144,090	162,847	171,300	190,251	184,869	90,932	1,203,741

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2020 (continued):

Group - Motor

Accident year	Note	2012 and prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		127	268	1,864	7,051	8,749	18,244	39,582	76,330	141,279	293,494
Net general insurance outstanding liabilities (additional provision)											5
Net general insurance outstanding liabilities (treaty inwards)											96
Net general insurance outstanding liabilities (MMIP)											23,697
Best estimate of claims liabilities											317,292
Claims handling expenses											7,467
Fund PRAD at 75% confidence level											30,079
Net provision for outstanding claims	15.2										354,838

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

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2019 (continued):

Group - Motor

Accident year	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 inwards)											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 2020:

Group - Non-motor

Accident year	2012 and prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		119,612	126,142	123,258	144,666	166,887	199,378	214,718	192,578	-
One year later		116,065	124,617	124,584	133,968	152,732	202,473	206,714	-	-
Two years later		115,963	120,020	119,848	128,159	149,104	202,345	-	-	-
Three years later		110,137	115,224	114,753	127,342	147,454	-	-	-	-
Four years later		105,498	111,956	114,174	124,332	-	-	-	-	-
Five years later		103,773	111,071	114,565	-	-	-	-	-	-
Six years later		103,011	110,160	-	-	-	-	-	-	-
Seven years later		102,194	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		102,194	110,160	114,565	124,332	147,454	202,345	206,714	192,578	1,200,342
At end of accident year		45,012	52,950	48,687	61,865	78,256	97,606	112,655	93,600	-
One year later		89,094	96,408	96,536	112,294	129,658	163,758	169,784	-	-
Two years later		98,242	106,084	105,800	120,229	135,397	169,311	-	-	-
Three years later		100,750	107,833	108,174	122,080	137,906	-	-	-	-
Four years later		100,803	108,865	109,921	120,873	-	-	-	-	-
Five years later		101,360	109,008	110,647	-	-	-	-	-	-
Six years later		101,870	109,005	-	-	-	-	-	-	-
Seven years later		101,463	-	-	-	-	-	-	-	-
Cumulative payments to-date		101,463	109,005	110,647	120,873	137,906	169,311	169,784	93,600	1,012,589

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2020 (continued):

Group - Non-motor

Accident year	Note	2012 and prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		752	731	1,155	3,918	3,459	9,548	33,034	36,930	98,978	188,505
Net general insurance outstanding liabilities (additional provision)											385
Net general insurance outstanding liabilities (treaty inwards)											1,940
Best estimate of claims liabilities											190,830
Claims handling expenses											4,839
Fund PRAD at 75% confidence level											21,141
Net provision for outstanding claims	15.2										216,810

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

Accident year	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 inwards)											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

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").

2020	Carrying amount RM'000	AC/ (FL) RM'000	Designated as at FVOCI RM'000	Mandatorily at FVTPL RM'000
Financial assets				
Group				
Other investments	1,851,962	52,944	907,613	891,405
Loans and receivables, excluding insurance receivables	1,121,811	1,121,811	-	-
Insurance receivables	163,647	163,647	-	-
Cash and cash equivalents	150,788	150,788	-	-
	3,288,208	1,489,190	907,613	891,405
Company				
Other investments	875,926	-	875,926	-
Loans and receivables, excluding insurance receivables	95,833	95,833	-	-
Cash and cash equivalents	3,871	3,871	-	-
	975,630	99,704	875,926	-
Financial liabilities				
Group				
Provision for claims reported by policyholders	(1,084,673)	(1,084,673)	-	-
Insurance payables	(100,457)	(100,457)	-	-
Other payables	(103,302)	(103,302)	-	-
	(1,288,432)	(1,288,432)	-	-
Company				
Other payables	(1,892)	(1,892)	-	-

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.1 Categories of financial instruments (continued)

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)	-	-
Insurance payables	(93,289)	(93,289)	-	-
Other payables	(100,491)	(100,491)	-	-
	(1,008,045)	(1,008,045)	-	-
Company				
Other payables	(1,511)	(1,511)	-	-

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net gains/ (losses) arising on:				
Designated as at FVOCI				
- recognised in other comprehensive income	**51,121**	(234,419)	**49,324**	(226,211)
- recognised in profit or loss	**17,625**	30,853	**17,008**	29,764
	68,746	(203,566)	**66,332**	(196,447)
Mandatorily at FVTPL	**31,166**	17,043	**-**	189
Financial assets measured at amortised cost	**42,851**	60,441	**3,317**	5,153
	142,763	(126,082)	**69,649**	(191,105)

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.

35.4 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.

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Credit risk (continued)

(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 Finance Department. Monitoring of credit and concentration risk is carried out by the 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 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 RM91,885,000 (2019: RM94,771,000) for the Group; and

(ii) bank balances and deposits placed with five banks amounted to RM878,354,000 (2019: RM948,425,000) and RM98,971,000 (2019: RM138,126,000) 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
2020						
FVTPL						
Corporate bonds and sukuk	-	58,893	32,172	-	-	91,065
Amortised cost						
Malaysian government guaranteed loans	20,000	-	-	-	-	20,000
Corporate bonds and sukuk	10,000	10,000	12,944	-	-	32,944
Loans and receivables, excluding insurance receivables	180,853	342,536	317,034	83,000	198,388	1,121,811
Insurance receivables	-	3,942	15,583	224	143,898	163,647
Cash and cash equivalents	23,676	19,140	12,443	52,001	43,528	150,788
	234,529	375,618	358,004	135,225	385,814	1,489,190

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Financial assets (continued)

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

Company	AAA RM'000	AA RM'000	A RM'000	Non-rated RM'000	Total RM'000
2020					
Amortised cost					
Loans and receivables, excluding insurance receivables	**45,100**	**-**	**50,000**	**733**	**95,833**
Cash and cash equivalents	**3,098**	**-**	**773**	**-**	**3,871**
	48,198	**-**	**50,773**	**733**	**99,704**
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

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
2020						
Insurance receivables	**11,082**	**2,995**	**3,731**	**2,048**	**-**	**19,856**
2019						
Insurance receivables	7,605	3,617	4,956	-	-	16,178

(iv) Amount arising from ECL

Allowance for impairment

The following tables show reconciliations from the opening balance to the closing balance of the allowance for impairment by class of financial instrument.

Group	/--------- 12-months---------/ ECL		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
2020				
At 1 January	**4**	**148**	**1,902**	**2,054**
Net remeasurement of allowance for impairment	**1**	**(97)**	**684**	**588**
Balance at 31 December	**5**	**51**	**2,586**	**2,642**
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)

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.

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.

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)

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.

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.

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)

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.

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	Up to a year* RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Total RM'000
2020						
Provision for claims reported by policyholders	**1,084,673**	**763,984**	**264,123**	**47,123**	**9,443**	**1,084,673**
Insurance payables	**100,457**	**90,799**	**9,658**	**-**	**-**	**100,457**
Other payables	**103,302**	**77,402**	**22,561**	**2,977**	**362**	**103,302**
	1,288,432	**932,185**	**296,342**	**50,100**	**9,805**	**1,288,432**
2019						
Provision for claims reported by policyholders	814,265	541,394	220,670	41,869	10,332	814,265
Insurance payables	93,289	73,804	19,485	-	-	93,289
Other payables	100,491	82,686	13,851	3,517	437	100,491
	1,008,045	697,884	254,006	45,386	10,769	1,008,045

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

NOTES TO THE FINANCIAL STATEMENTS

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
2020						
Other payables	**1,892**	**1,892**	**-**	**-**	**-**	**1,892**
2019						
Other payables	1,511	1,511	-	-	-	1,511

* 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
2020			
Malaysian operation			
Investment in an associated company	**-**	**35,321**	**35,321**
Cash and cash equivalents	**-**	**1,396**	**1,396**
	-	**36,717**	**36,717**
Singapore operation			
Investment measured at fair value through other comprehensive income	**27,316**	**-**	**27,316**
Cash and cash equivalents	**6,385**	**1,824**	**8,209**
	33,701	**1,824**	**35,525**
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

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.7 Currency risk (continued)

(i) Exposure to foreign currency risk (continued)

	US Dollar	
	2020	2019
Company	**RM'000**	**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).

		2020		2019	
	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%	**79,897**	**129,700**	24,243	83,519
Market price	-10%	**(79,897)**	**(129,700)**	(24,243)	(83,519)
Company					
Market price	+10%	**-**	**66,570**	-	62,822
Market price	-10%	**-**	**(66,570)**	-	(62,822)

* 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
2020										
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	907,613	-	-	907,613	-	-	-	-	907,613	907,613
Mandatorily at fair value through profit or loss										
- Unit trust	791,262	-	-	791,262	-	-	-	-	791,262	791,262
- Real estate investment trusts ("REITs")	3,321	-	-	3,321	-	-	-	-	3,321	3,321
- Exchange-traded fund ("ETF")	670	-	-	670	-	-	-	-	670	670
- Quoted shares	3,712	-	-	3,712	-	-	-	-	3,712	3,712
- Unquoted shares	-	-	1,375	1,375	-	-	-	-	1,375	1,375
- Corporate bonds and sukuk	-	91,065	-	91,065	-	-	-	-	91,065	91,065
Amortised cost										
- Malaysian government guaranteed loans	-	-	-	-	-	20,967	-	20,967	20,967	20,000
- Corporate bonds and sukuk	-	-	-	-	-	33,929	-	33,929	33,929	32,944
	1,706,578	91,065	1,375	1,799,018	-	54,896	-	54,896	1,853,914	1,851,962

NOTES TO THE FINANCIAL STATEMENTS

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
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

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
2020										
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	**875,926**	**-**	**-**	**875,926**	**-**	**-**	**-**	**-**	**875,926**	**875,926**
2019										
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	826,602	-	-	826,602	-	-	-	-	826,602	826,602

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 (2019: no transfer in either directions).

Level 3 fair value

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

	Group	
	2020 RM'000	2019 RM'000
Unquoted shares		
As at 1 January	**1,312**	1,328
Fair value gains/ (losses) in profit or loss	**63**	(16)
Balance as at 31 December	**1,375**	1,312

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.11 Fair value information (continued)

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.

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 2020, as prescribed under the RBC Framework is provided below:

	2020 RM'000	2019 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	**200,000**	200,000
Retained earnings	**823,473**	731,938
	1,023,473	931,938
Tier 2 Capital		
Eligible reserves	**42,934**	41,835
Total capital available	**1,066,407**	973,773

NOTES TO THE FINANCIAL STATEMENTS

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. Related party transactions have been entered into in the normal course of business and under normal commercial terms. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party 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	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Income earned:				
Premium income	**476**	408	**36,550**	36,212
Dividend income	**-**	-	**18,714**	31,051
Fixed deposits income	**-**	-	**9,239**	6,015
Corporate bonds and sukuk income	**-**	-	**1,639**	2,290
Information technology services	**2**	8	**-**	-
	478	416	**66,142**	75,568
Expenditure incurred:				
Rental paid	**-**	-	**(3,341)**	(3,163)
Insurance commission	**(119)**	(99)	**(49,022)**	(51,763)
Stock broking commission	**-**	-	**(3)**	-
Sales charges paid on unit trust purchased	**-**	-	**-**	(50)
	(119)	(99)	**(52,366)**	(54,976)

NOTES TO THE FINANCIAL STATEMENTS

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions and balances (continued)

		Subsidiary		Companies in which a Director has substantial financial interest	
		2020	2019	2020	2019
Company	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Income earned:					
Dividend income	22	**230,000**	230,000	**17,008**	29,764
Fixed deposits income		**-**	-	**2,265**	712
Corporate bonds and sukuk income		**-**	-	**-**	325
		230,000	230,000	**19,273**	30,801
Expenditure incurred:					
Premium paid		**(28)**	(29)	**-**	-
Rental paid		**(41)**	(45)	**-**	-
Management fees		**(610)**	(578)	**-**	-
		(679)	(652)	**-**	-

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

	Companies in which a Director has substantial financial interest			
	Group		Company	
	2020	2019	2020	2019
	RM'000	**RM'000**	**RM'000**	**RM'000**
Balances with related parties:				
Placements in fixed and call deposits	**180,242**	176,444	**48,000**	100
Bank balances	**13,700**	10,600	**198**	127
Corporate bonds and sukuk	**37,416**	36,501	**-**	-
	231,358	223,545	**48,198**	227

NOTES TO THE FINANCIAL STATEMENTS

38. CAPITAL AND OTHER COMMITMENTS

	Group	
	2020 RM'000	2019 RM'000
Capital expenditure commitments		
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.

Lonpac has on 25 September 2020 received a Notice of Finding of An Infringement ("Notice") by MyCC under Section 40 of the Act. MyCC determined that Lonpac has infringed Section 4 prohibition of the Act.

In view of the impact of the Covid-19 pandemic, MyCC has granted a reduction of 25% of the financial penalties imposed on the 22 general insurers. The financial penalty imposed on Lonpac after taking into account the 25% reduction amounts to RM5,914,780. MyCC also granted a moratorium period up to 6 months from the date of the Notice. At the end of the moratorium period, Lonpac is allowed to make the payment of the financial penalty by equal monthly instalment for up to 6 months.

Lonpac believes that it has always conducted its business in full compliance with all relevant laws and regulations and had filed an appeal to the Competition Appeal Tribunal on 13 October 2020. Lonpac in consultation with its legal advisers will take such approriate actions to defend its position that it has not been in infringement 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.

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 246 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 2020 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:

Lee Chin Guan
Director

Tan Kok Guan
Director

Date: 3 February 2021

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 246 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 2021.

Tan Kok Guan

Before me:

Commissioner for Oath

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 2020 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 246.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LPI CAPITAL BHD

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of general insurance contract liabilities

Refer to Note 2(n), 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 of RM2,168,123,000 representing 89% of total liabilities comprise of provision for unearned premiums and provision for outstanding claims as further explained in Note 2(n) and 2(o). **Provision for Outstanding Claims** 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 provision for outstanding claims.	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 the provision for outstanding claims for selected class of business 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(n), Note 2(o) and Note 15 to the financial statements

The key audit matter	How the matter was addressed in our audit
Provision for Unearned Premiums Provision for unearned premiums is the higher unearned premiums reserves ("UPR") and unexpired risk reserves ("URR"). Estimation of URR 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 the provision for unearned premiums.	• Performed tests on the 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. • Assessed the adequacy of the Group's disclosures in relation to insurance liabilities including historical claims development and sensitivity analysis of insurance contract liabilities on movement in key assumptions of the estimation.

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, actions taken to eliminate threats or safeguards applied.

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: 03240/02/2022 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 3 February 2021

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/ Senior Independent Director
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)

Dato' Chia Lee Kee
Independent Non-Executive Director
FCIS (CS) (CGP)

COMPANY SECRETARY

Ms. Kong Thian Mee
Chartered Secretary and Chartered Governance Professional
FCIS (CS) (CGP)
SSM PC No. : 202008001185
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
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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
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Tel No. : (03) 2262 8688/ 2723 7888
Fax No. : (03) 2078 7455

WEBSITE

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INVESTOR RELATIONS

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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
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AGM HELPDESK

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

ANALYSIS OF **SHAREHOLDINGS**

as at 29 January 2021

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

Size of Shareholdings	Shareholders				No. of Shares Held			
	Malaysia		Foreign		Malaysia		Foreign	
	No.	%	No.	%	No.	%	No.	%
Less than 100 shares	1,015	10.33	15	0.15	13,710	*1	145	*1
100 – 1,000 shares	3,193	32.49	40	0.41	1,699,057	0.43	19,905	*1
1,001 – 10,000 shares	4,089	41.61	77	0.78	14,743,006	3.70	362,106	0.09
10,001 – 100,000 shares	1,147	11.67	80	0.82	31,890,359	8.00	2,352,494	0.59
100,001 to 19,919,136 (less than 5% of issued shares)	151	1.54	18	0.18	136,668,199	34.31	9,431,212	2.37
19,919,137 (5% of issued shares) and above	1	0.01	1	0.01	170,274,240	42.74	30,928,320	7.77
Total	9,596	97.65	231	2.35	355,288,571	89.18	43,094,182	10.82
Grand Total	9,827 (100%)				398,382,753 (100%)			

Note:

*1 Less than 0.01%.

ANALYSIS OF SHAREHOLDINGS

as at 29 January 2021

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.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	8,449,600	2.12
6.	Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41
7.	AmanahRaya Trustees Berhad Public Savings Fund	5,228,396	1.31
8.	AmanahRaya Trustees Berhad Public Index Fund	3,981,312	1.00
9.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Consolidated Chan Realty Sdn.Bhd (E-KUG)	3,677,980	0.92
10.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	3,532,080	0.89
11.	Muar Management Sdn Bhd	3,481,920	0.87
12.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	3,411,940	0.86
13.	AmanahRaya Trustees Berhad Public Growth Fund	3,335,496	0.84
14.	Sompo Japan Nipponkoa Insurance Inc	3,096,000	0.78
15.	Tunku Zahrah Binti Tunku Osman	3,081,600	0.77
16.	GHS Strategic Holdings Sdn Bhd	2,625,000	0.66
17.	AmanahRaya Trustees Berhad Public Equity Fund	2,602,984	0.65
18.	Seah Heng Lye	2,252,000	0.57
19.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Ang Beng Poh	2,220,000	0.56
20.	AmanahRaya Trustees Berhad Public Dividend Select Fund	2,210,460	0.55

ANALYSIS OF SHAREHOLDINGS

as at 29 January 2021

Name of Shareholders	No. of Shares Held	% of Issued Shares
21. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Chin Guan	1,949,700	0.49
22. CIMB Commerce Trustee Berhad Public Focus Select Fund	1,791,936	0.45
23. AmanahRaya Trustees Berhad Public Sector Select Fund	1,393,392	0.35
24. Teh Moh Lee	1,366,200	0.34
25. Cartaban Nominees (Asing) Sdn Bhd Exempt An for RBC Investor Services Trust (Clients Account)	1,307,900	0.33
26. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Beng Poh (BMM)	1,250,000	0.31
27. AmanahRaya Trustees Berhad Public South-East Asia Select Fund	1,166,308	0.29
28. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Tee Choon Yeow (PB)	1,152,000	0.29
29. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for PB ASEAN Dividend Fund (270334)	1,129,680	0.28
30. AmanahRaya Trustees Berhad ASN Umbrella for ASN Equity 3	1,096,500	0.28
Total	307,010,216	77.05

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest		Total Interest	
Name of Shareholders	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1. Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41%	170,274,240*1	42.74%	175,896,000	44.15%
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%

Note:

*1 Deemed interest held by other corporations by virtue of Section 8(4) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

as at 29 January 2021

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest		Total Interest	
Name of Directors	**No. of Shares Held**	**% of Issued Shares**	**No. of Shares Held**	**% of Issued Shares**	**No. of Shares Held**	**% of Issued Shares**
1. Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41%	170,274,240*1	42.74%	175,896,000	44.15%
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	2,309,700	0.58%	-	-	2,309,700	0.58%
5. Mr. Quah Poh Keat	-	-	-	-	-	-
6. Ms. Chan Kwai Hoe	-	-	-	-	-	-
7. Ms. Soo Chow Lai	-	-	-	-	-	-
8. Dato' Chia Lee Kee	-	-	-	-	-	-

KEY SENIOR MANAGEMENT'S DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY

	Direct Interest		Indirect Interest		Total Interest	
Name of Key Senior Management	**No. of Shares Held**	**% of Issued Shares**	**No. of Shares Held**	**% of Issued Shares**	**No. of Shares Held**	**% of Issued Shares**
1. Mr. Tan Kok Guan	356,400	0.09%	273,600*2	0.07%	630,000	0.16%
2. Mr. Looi Kong Meng	8,400	*3	3,600*2	*3	12,000	*3
3. Mr. Chuang Chee Hing	53,916	0.01%	-	-	53,916	0.01%

Note:

*1 Deemed interest held by other corporations by virtue of Section 8(4) 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.

*3 Less than 0.01%.

ISSUED AND PAID-UP **SHARE CAPITAL**

The issued and paid-up share capital as at 29 January 2021 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	2^{nd} floor of 6 storey building
Current use	Rented out to third parties
Tenure	Leasehold 999 years
Remaining lease period (Expiry date)	950 years (26 February 2971)
Age of property	49 years
Built-up area	4,952 sq. ft
Net book value	RM27,572,000
Date of acquisition	26 February 1972
Date of last revaluation	18 December 2020

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
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

Head of Branch
Mr. Teh Kok Wei
Tel No. : (05) 688 9961/ 688 9962
Fax No. : (05) 688 9960
Email : kwteh@lonpac.com

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 & 2nd 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
En. 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

HEAD OF CENTRAL REGION
Mr. Gavin Tan Poh Teck
Tel No. : (06) 601 5677
Fax No. : (06) 601 6768
Email : pttan@lonpac.com

Kajang Branch
A-G-17 & A-1-17
Jalan Prima Saujana 2/1A
Taman Prima Saujana, Seksyen 2
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

Seremban Branch
No. 496, Jalan Haruan 4/4
Oakland Commercial Centre
70300 Seremban
Negeri Sembilan

Head of Branch
Mr. Yong Yoke Woon
Tel No. : (06) 601 5677
Fax No. : (06) 601 6768
Email : ywyong@lonpac.com

SOUTHERN REGION I

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

SOUTHERN REGION II

HEAD OF SOUTHERN REGION II
Mr. Yong Chee Chean
Tel No. : (06) 282 5169
Fax No. : (06) 284 1097/ 282 9018
Email : ccyong@lonpac.com

Melaka Branch
No. 7 & 9, Jalan Melaka Raya 11
Taman Melaka Raya
75000 Melaka

Head of Branch
Mr. James Goo Chee Siang
Tel No. : (06) 282 5169
Fax No. : (06) 284 1097/ 282 9018
Email : csgoo@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
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Fax No. : (07) 433 9166
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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

GROUP CORPORATE DIRECTORY

Sibu Branch
No. 4 & 6, 1st Floor
Lorong Dr. Wong Soon Kai 20A
96000 Sibu
Sarawak

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

Tel No. : (089) 237 163
Fax No. : (089) 237 169

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 60th Annual General Meeting **(AGM)** of LPI Capital Bhd (LPI) will be held on Wednesday, 31 March 2021 at 11.00 a.m. and will be conducted as a fully virtual AGM at the Broadcast Venue at 29th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

The 60th AGM will be held 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 2020 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. Tan Sri Dato' Sri Dr. Teh Hong Piow	Ordinary Resolution 1
	ii. Mr. Tee Choon Yeow	Ordinary Resolution 2
3.	To re-elect Dato' Chia Lee Kee who retires in accordance with Clause 99 of the Company's Constitution and who being eligible, offer herself for re-election.	Ordinary Resolution 3
4.	To approve the payment of Directors' Fees of RM1,430,000 for the financial year ended 31 December 2020.	Ordinary Resolution 4
5.	To approve the payment of Directors' Benefit on Allowances for Directors amounting to RM271,500 for the financial year ended 31 December 2020.	Ordinary Resolution 5 (Please refer to Explanatory Note 2)
6.	To approve the Directors' Benefit on Insurance Coverage for Non-Executive Directors from 60th AGM to 61st AGM of the Company.	Ordinary Resolution 6 (Please refer to Explanatory Note 3)
7.	To re-appoint Messrs. KPMG PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix the Auditors' remuneration.	Ordinary Resolution 7

By Order of the Board

KONG THIAN MEE
(MAICSA 7024050)/ SSM PC No.: 202008001185
Company Secretary

Kuala Lumpur
3 March 2021

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. As a precautionary measure in view of the COVID-19 pandemic, the 60th AGM will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Notes of LPI's 60th AGM in order to register, participate and vote remotely via the RPV facilities.

2. The Broadcast Venue of the 60th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be at the main venue of the meeting. Members/proxies are not allowed to attend the 60th AGM in person at the Broadcast Venue on the day of the 60th AGM.

3. Only depositors whose names appear in the Record of Depositors as at 23 March 2021 be regarded as members and entitled to attend, speak (questions posted to the Board via real time submission of typed texts) and vote (collectively, "participate") at the meeting via RPV facilities.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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 29 March 2021 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 29 March 2021 at 11.00 a.m.

10. A member who has appointed a proxy or attorney or authorised representative to participate at this 60th AGM via RPV facilities must request his/her proxy or attorney or authorised representative to register himself/herself for RPV facilities at TIIH Online website at https://tiih.online.

11. 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.

12. In view of the constant evolving COVID-19 situation in Malaysia, the arrangements of the 60th AGM may subject to change at short notice. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at www.lpicapital.com for the latest updates on the status of the 60th AGM.

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 RM271,500 for the financial year ended 31 December 2020 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 & Compliance 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	RM11,379
(ii)	Personal Accident Insurance	RM1,282
(iii)	Travel Insurance	RM1,154

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Disclosure	Description	Page Number (or Link)
GRI 102: General Disclosures 2016		
Organisational Profile		
102 - 01	Name of the organisation	2
102 - 02	Activities, brands, products, and services	5 - 7
102 - 03	Location of headquarters	253 & 263
102 - 04	Locations of operations	263 - 265
102 - 05	Ownership and legal form	5 - 8 & 13
102 - 06	Markets served	5 - 8 & 263 - 265
102 - 07	Scale of the organisation	6 - 7 & 9 - 10
102 - 08	Information on employees and other workers	10 & 64 - 69
102 - 09	Supply chain	48 - 49
102 - 10	Significant changes to the organisation and its supply chain	14 - 39
102 - 11	Precautionary Principle or approach	20 to 22, 50 - 55 & 103 - 109
102 - 12	External initiatives	56 - 73
Strategy		
102 - 14	Statement from senior decision-maker	14 - 39
102 - 15	Key impacts, risks, and opportunities	21 - 22, 50 - 55 & 103 - 109
Ethics And Integrity		
102 - 16	Principles, standards, and norms of behavior	1, 3, 8, 68 & 84 - 85
102 - 17	Mechanisms for advice and concerns about ethics	59, 68 & 84 - 85
Governance		
102 - 18	Governance structure	86 - 87 & 93
102 - 19	Delegating authority	86 - 87
102 - 20	Executive-level responsibility for economic, environmental, and social topics	8, 56 & 93

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

Disclosure	Description	Page Number (or Link)
GRI 102: General Disclosures 2016		
Governance		
102 - 21	Consulting stakeholders on economic, environmental, and social topics	8, 42 - 47 & 95 - 96
102 - 22	Composition of the highest governance body and its committees	74 - 83 & 86 - 87
102 - 23	Chair of the highest governance body	76 - 77 & 86 - 87
102 - 24	Nominating and selecting the highest governance body	90 - 92
102 - 25	Conflicts of interest	81 - 82, 85 & 100
102 - 26	Role of highest governance body in setting purpose, values, and strategy	86 - 87
102 - 27	Collective knowledge of highest governance body	91
102 - 28	Evaluating the highest governance body's performance	91
102 - 29	Identifying and managing economic, environmental, and social impacts	56, 93 & 95 - 96
102 - 30	Effectiveness of risk management processes	54 - 55, 94 & 103
102 - 31	Review of economic, environmental, and social topics	42, 47 & 54
102 - 32	Highest governance body's role in sustainability reporting	8, 56 & 93
102 - 35	Remuneration policies	90 & 92
102 - 36	Process for determining remuneration	91 & 92
Stakeholder Engagement		
102 - 40	List of stakeholder groups	46 - 47 & 95 - 96
102 - 42	Identifying and selecting stakeholders	46 - 47 & 95 - 96
102 - 43	Approach to stakeholder engagement	46 - 47 & 95 - 96
102 - 44	Key topics and concerns raised	95 - 96
Reporting Practice		
102 - 45	Entities included in the consolidated financial statements	2
102 - 46	Defining report content and topic Boundaries	2 - 4
102 - 47	List of material topics	45 - 46
102 - 49	Changes in reporting	2 - 4

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

Disclosure	Description	Page Number (or Link)
GRI 102: General Disclosures 2016		
Reporting Practice		
102 - 50	Reporting period	2
102 - 51	Date of most recent report	2
102 - 52	Reporting cycle	2
102 - 53	Contact point for questions regarding the report	253
102 - 54	Claims of reporting in accordance with the GRI Standards	3
102 - 55	GRI content index	269 - 274
102 - 56	External assurance	109
GRI 103: Management Approach 2016		
103 - 01	Explanation of the material topic and its Boundary	18 - 39 & 57 - 63
103 - 02	The management approach and its components	18 - 39 & 57 - 63
103 - 03	Evaluation of the management approach	18 - 39 & 57 - 63
GRI 201: Economic Performance		
201 - 01	Direct economic value generated and distributed	20, 18 - 39, & 57 - 63
GRI 103: Management Approach 2016		
103 - 01	Explanation of the material topic and its Boundary	70 - 71
103 - 02	The management approach and its components	70 - 71
103 - 03	Evaluation of the management approach	70 - 71
GRI 203: Indirect Economic Impacts		
203 - 01	Infrastructure investments and services supported	70 - 71
203 - 02	Significant indirect economic impacts	70 - 71

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

Disclosure	Description	Page Number (or Link)
GRI 103: Management Approach 2016		
103 - 01	Explanation of the material topic and its Boundary	59 & 84 - 96
103 - 02	The management approach and its components	59 & 84 - 96
103 - 03	Evaluation of the management approach	59 & 84 - 96
GRI 205: Anti-Corruption		
205 - 01	Operations assessed for risks related to corruption	59 & 84 - 96
205 - 02	Communication and training about anti-corruption policies and procedures	59 & 84 - 96
GRI 103: Management Approach 2016		
103 - 01	Explanation of the material topic and its Boundary	72 - 73
103 - 02	The management approach and its components	72 - 73
103 - 03	Evaluation of the management approach	72 - 73
GRI 301: Materials		
301 - 01	Materials used by weight or volume	72 - 73
GRI 103: Management Approach 2016		
103 - 01	Explanation of the material topic and its Boundary	64 - 69
103 - 02	The management approach and its components	64 - 69
103 - 03	Evaluation of the management approach	64 - 69
GRI 401: Employment		
401 - 01	New employee hires and employee turnover	58 & 64 - 69
401 - 02	Benefits provided to full-time employees that are not provided to temporary or part-time employees	64 - 69
401 - 03	Parental leave	64 - 69

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

Disclosure	Description	Page Number (or Link)
GRI 103: Management Approach 2016		
103 - 01	Explanation of the material topic and its Boundary	68 - 69
103 - 02	The management approach and its components	68 - 69
103 - 03	Evaluation of the management approach	68 - 69
GRI 403: Occupational Health and Safety		
403 - 01	Occupational health and safety management system	68 - 69
403 - 02	Hazard identification, risk assessment, and incident investigation	68 - 69
403 - 03	Occupational health services	68 - 69
403 - 04	Worker participation, consultation, and communication on occupational health and safety	68 - 69
403 - 05	Worker training on occupational health and safety	68 - 69
403 - 06	Promotion of worker health	68 - 69
403 - 07	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	68 - 69
GRI 103: Management Approach 2016		
103 - 01	Explanation of the material topic and its Boundary	65 - 66
103 - 02	The management approach and its components	65 - 66
103 - 03	Evaluation of the management approach	65 - 66
GRI 404: Training and Education		
404 - 01	Average hours of training per year per employee	65 - 66
404 - 02	Programs for upgrading employee skills and transition assistance programs	65 - 66
404 - 03	Percentage of employees receiving regular performance and career development reviews	65 - 66

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

Disclosure	Description	Page Number (or Link)
GRI 103: Management Approach 2016		
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GRI 405: Diversity and Equal Opportunity		
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GRI 413: Local Communities		
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LPI CAPITAL BHD 196201000175 (4688-D)
(Incorporated in Malaysia)

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 ______________________________________ 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 participate and vote for *me/ us on *my/ our behalf, at the 60th Annual General Meeting of the Company to be held on Wednesday, 31 March 2021 at 11.00 a.m. at the Broadcast Venue at 29th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur, or any adjournment thereof, to vote as indicated below :

NO.	RESOLUTION	FOR	AGAINST
Ordinary Business			
1.	Re-election of Tan Sri Dato' Sri Dr. Teh Hong Piow as Director.		
2.	Re-election of Mr. Tee Choon Yeow as Director.		
3.	Re-election of Dato' Chia Lee Kee as Director.		
4.	Approval of payment of Directors' Fees.		
5.	Approval of payment of Directors' Allowances.		
6.	Approval of Insurance Coverage for Non-Executive Directors.		
7.	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 _____________ 2021

No. of ordinary shares held	:	
CDS Account No.	:	
Proportion of shareholdings to be represented by proxies	:	First Proxy : ____________% Second Proxy : ____________%
Contact No.	:	

____
Signature of Member/ Common Seal

Notes:

1. As a precautionary measure in view of the COVID-19 pandemic, the 60th AGM will be conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Notes of LPI's 60th AGM in order to register, participate and vote remotely via the RPV facilities.
2. The Broadcast Venue of the 60th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be at the main venue of the meeting. Members/proxies are not allowed to attend the 60th AGM in person at the Broadcast Venue on the day of the 60th AGM.
3. Only depositors whose names appear in the Record of Depositors as at 23 March 2021 be regarded as members and entitled to attend, speak (questions posted to the Board via real time submission of typed texts) and vote (collectively, "participate") at the meeting via RPV facilities.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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 29 March 2021 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 29 March 2021 at 11.00 a.m.
10. A member who has appointed a proxy or attorney or authorised representative to participate at this 60th AGM via RPV facilities must request his/her proxy or attorney or authorised representative to register himself/herself for RPV facilities at TIIH Online website at https://tiih.online.
11. 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.
12. In view of the constant evolving COVID-19 situation in Malaysia, the arrangements of the 60th AGM may subject to change at short notice. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at www.lpicapital.com for the latest updates on the status of the 60th AGM.

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STAMP

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South,
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,
Malaysia

Fold Here

LPI CAPITAL BHD

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