CONFIDENCE IN TOMORROW

INTEGRATED ANNUAL REPORT 2022

LPI CAPITAL BHD
196201000175 (4688-D)

Vision

To be the preferred premier insurance solutions provider.

Corporate Mission

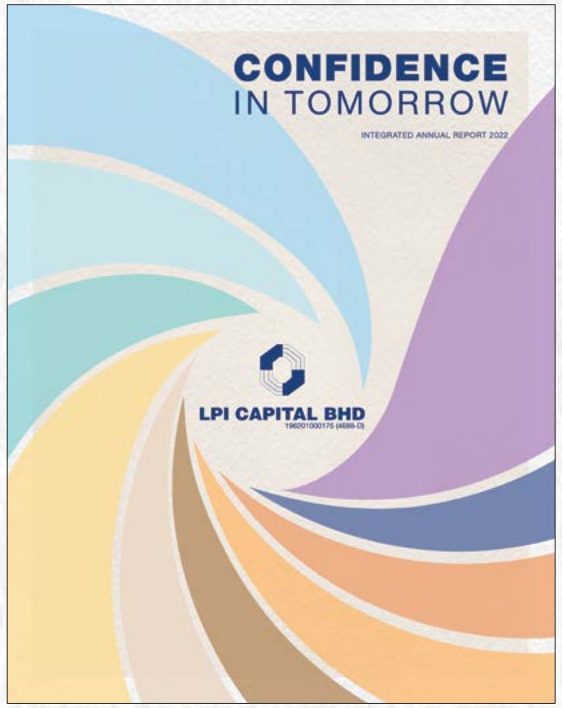
1. Our primary focus is to provide innovative insurance products supported by customer-centric service excellence. We aim to provide our insured an easy channel for all their insurance needs.
2. Our brand is representative of the way we conduct ourselves and the approach to organisational development. 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.

INSIDE THIS REPORT



COVER RATIONALE

CONFIDENCE IN TOMORROW

The cover of our Integrated Annual Report reflects the comprehensive assurance provided by LPI Capital Bhd, with each colour segment representative of our insurance products and services. Our whole-coverage approach ensures that our customers have the peace of mind and confidence necessary to focus on living their lives and building livelihoods. We recognise the importance of continuity and reliability, and have focused our efforts on securing the sustainability of our business, as well as the sustainability of the interests of our customers.

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ABOUT THIS REPORT

ABOUT THIS REPORT

LPI Capital Bhd's ("LPI") integrated annual report 2022 discloses the activities of the LPI organisation, including the activities of our wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac"), undertaken during the year under review. As LPI is a listed entity on the Bursa Malaysia stock exchange, this report has been prepared in accordance with the stipulations of Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR"), as well as to be in compliance with the Integrated Reporting <IR> Framework set by the International Integrated Reporting Council ("IIRC").

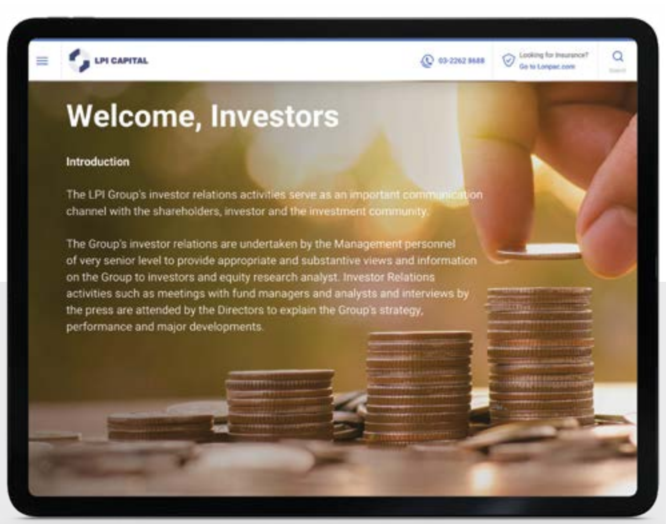
In addition to disclosing information such as the financial performance of the company, this report also discloses our efforts to improve our sustainability track record and governance practices. As part of our commitment to the continual improvement of our disclosure standards, we have prepared our 2022 report to better comply with international guidelines and standards in order to facilitate better disclosures and ease benchmarking. The launch of our Sustainability Blueprint in 2022 has also introduced new disclosure standards in our report and is discussed in greater detail in the relevant section.

This document is part of our commitment to provide a more holistic and transparent report that analyses and discloses our value creation role as a leading insurance provider in Malaysia. We aim to give stakeholders greater insight into our processes and the future direction of the Group in relation to our operating context and prospects moving forward.

REPORTING SCOPE AND BOUNDARY

The scope and boundary of this report are guided by the MMLR and the <IR> Framework to ensure that this report meets locally- and internationally-determined standards of disclosure in order to give our stakeholders a clear picture of our activities as well as our prospects over the short-, medium- and long-terms. This includes discussions of our value creation process, our performance for the year under review, LPI's business strategy, our impact on Environmental, Social and Governance ("ESG") matters and the Group's future prospects.

We aim to harmonise the scope and boundary of our business operations and sustainability activities, and have, for the first time, integrated both sections in our enhanced Management Discussion & Analysis. All terminology and concepts are universally applicable throughout this report.



The digital version of LPI Capital Bhd's Integrated Annual Report 2022 is available on our website. Please scan the QR code and help us to reduce our carbon footprint.

KEY CONCEPTS AND DEFINITIONS

The production of this integrated report is guided by several key concepts and definitions, including the following:

Materiality

The principle of materiality relates to the process of identifying and assessing sustainability matters that are of the greatest importance to our organisation and stakeholders.[1] These include the legitimate needs and interests of our stakeholders, ranging from our shareholders and employees to our regulators and our customers. The application of this principle ensures that the information included in this report reflects the impact and outcomes of our value creation activities, and the sustainability of those activities. It also ensures a discipline of focus in our reporting activities to ensure that only relevant outcomes are incorporated into our discussions.

Sustainable Development

Sustainable development is defined in the Sustainability Reporting Guide as development that meets the needs of the present without compromising the ability of future generations. Specifically, it notes that organisations which embrace sustainability naturally contribute to the wider societal goal of sustainable development and the United Nations Sustainable Development Goals ("UN SDGs"). Our Sustainability Blueprint has adopted four UN SDGs and will work towards achieving these goals through our sustainability practice.

Value Creation

Value creation refers to our processes and activities that create outcomes for our stakeholders. These processes and activities consume and exhaust capital inputs to create value for our stakeholders. Values can be understood within this context as both financial and non-financial. To ensure that our value creation activities remain sustainable, some of the value created by our value creation processes includes the replenishment of consumed capital inputs. For example, some of our value creation activities must replenish the financial resources that were used for other value creation activities, such as the payment of dividends and salaries and the marketing and promotion of our products and services.

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
- 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 Global Reporting Initiative ("GRI") Sustainability Standards
- The Sustainable Accounting Standards Board ("SASB")
- The AA1000 AccountAbility Principles

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements in relation to the Group's plans, objectives, expectations, future financial condition, performance, results and estimates of future cash flows and costs. As projections of future conditions, the veracity of forward-looking statements cannot be absolutely guaranteed as they relate to future events and circumstances, including economic and business conditions, market fluctuations such as changing interest rates and exchange rates, the policies and actions of regulatory authorities and the impact of competition, as well as the impact of tax and other legislation and regulations in the jurisdictions in which we operate.

Due to these variables, our actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in this integrated report. It is important to note that we undertake no obligation to update the forward-looking statements contained in this document or any other forward-looking statements should conditions change in the future. 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") grants its assurance that all efforts have been made to provide a thorough and comprehensive disclosure of our activities undertaken during the year under review. This report was prepared in line with the guidelines provided by Bursa Securities as well as the <IR> Framework, and the report as a whole has been reviewed and endorsed by LPI's Board.

KEY HIGHLIGHTS FOR THE YEAR

FINANCIAL HIGHLIGHTS

Gross Written Premiums
RM1.6 billion

Profit Before Tax
RM373.5 million

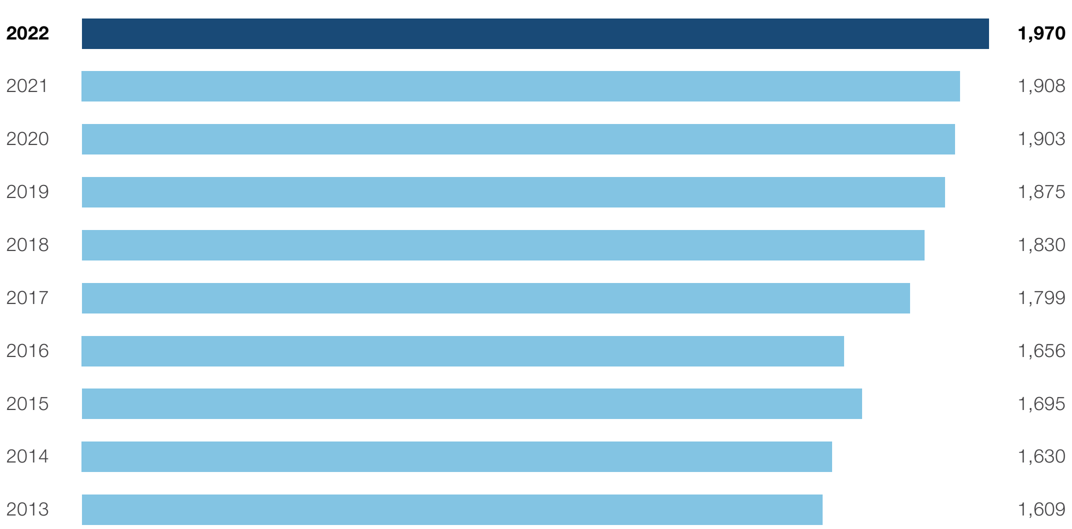
Return On Equity
12.7%

Return On Assets
5.4%

Net Dividend Per Share
60.0 sen

NON-FINANCIAL HIGHLIGHTS

Gross Written Premiums Income Per Employee (RM'000)



+3.2%
Over the past 10 years, we have invested heavily into automation and business process management systems to improve efficiency and productivity of our employees.

No. of Employees
827

No. of Policies Issued
2,371 per employee

AWARDS AND RECOGNITION

MSWG-ASEAN CORPORATE GOVERNANCE AWARD 2021
Industry Excellence Award for CG Disclosure
(Financial Services)
by the Minority Shareholders Watch Group

TOP SERVICE AWARD 2022
Global Excellence
by CNA International Solutions

BEST TAXPAYER AWARD 2021
by Inland Revenue Board

SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL

Disclosed Scope 1, 2 and 3 carbon emissions as defined under the GHG Protocol Standard

Disclosed investments which **bear high ESG risk**

Maintain Electronic Credit Payments usage above **90%**

Electricity consumption per staff of **3,171 kWh**

Water consumption per staff of **16 m³**

SOCIAL

More than 50% of LPI's investment portfolio comprise sustainable assets

Cultivate greater ESG awareness among our customers operating in critical industries

Created **9** insurance jobs in 2022

GOVERNANCE

A.M. Best reaffirmed its **Financial Strength Rating of "A" (Excellent)** and the **Long-Term Issuer Credit Rating of "a" (Excellent)** for Lonpac with a stable outlook for both ratings on the basis of Lonpac's balance sheet strength, strong operating performance, and enterprise risk management

No incident of bribery or corruption related to the Group reported during year

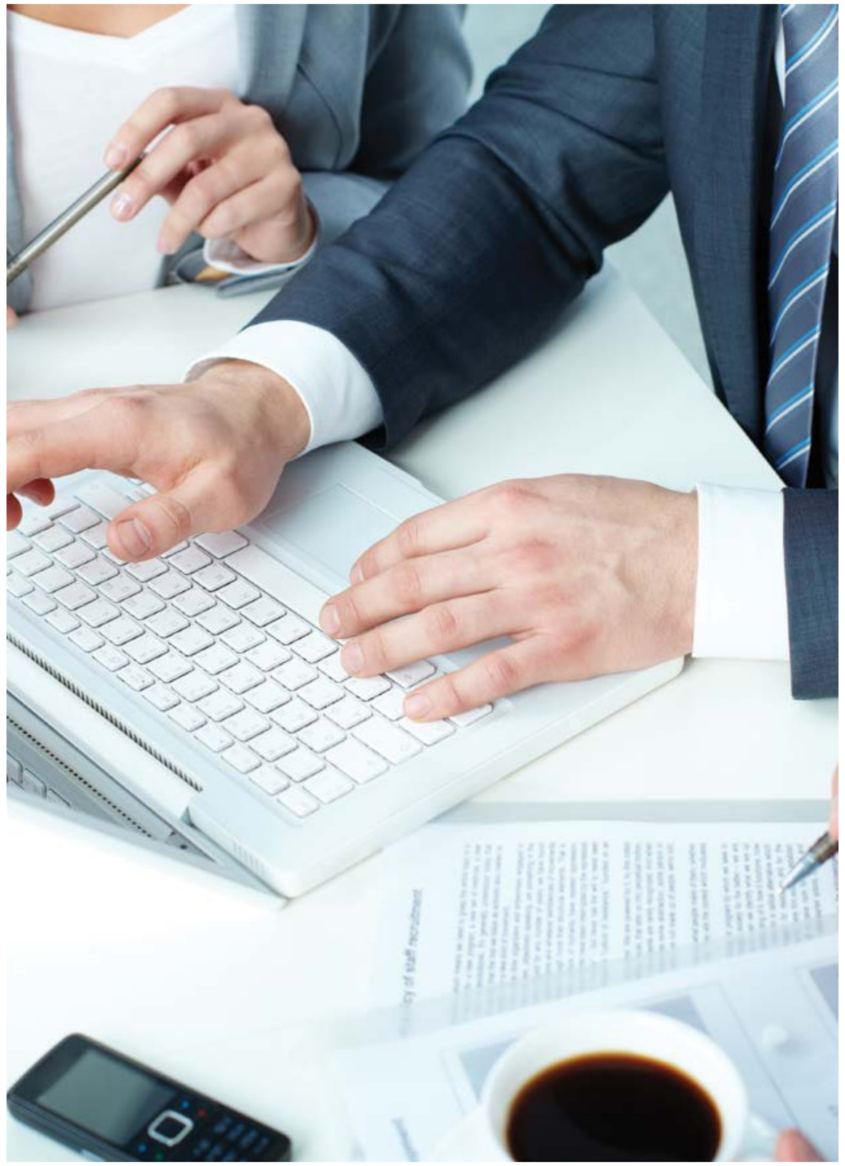
No incident of cyber encroachments, substantiated complaints on breaches of customer privacy and loss of confidential data in 2022

No monetary loss by the Group due to legal proceedings associated with the marketing of insurance products

OUR INVESTMENT CASE
CORPORATE PROFILE

OUR INVESTMENT CASE
CORPORATE PROFILE

LPI Capital Bhd ("LPI") is an investment holding company listed on the Malaysian stock exchange, Bursa Malaysia. Founded on 24 May 1962 as the London & Pacific Insurance Company Bhd, the company which would eventually become known as LPI was registered as an approved insurer on 9 April 1963 under the Malaysian Insurance Act 1963. LPI was listed on the Second Board of the Malaysian stock exchange on 8 January 1993 before it was transferred to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 17 January 1997.



All of LPI's Malaysian and Singaporean insurance businesses were assumed by our wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac") following a corporate rationalisation scheme held on 1 May 1999. Lonpac remains as LPI's sole operational arm for all of its insurance activities in Malaysia and Singapore, while LPI's insurance activities in Cambodia are undertaken by Campu Lonpac Insurance PLC, in which LPI holds a 45% stake. These companies, including LPI, Lonpac and Campu Lonpac Insurance, are collectively referred to in this document as the LPI Group ("LPI Group" or "the Group").

LPI is a market leader in the Malaysian general insurance sector, having weathered all challenges and changes in the market landscape over the past 50 years. LPI has also continued to expand its business in Singapore and Cambodia, which continue to remain viable business propositions with significant potential. Nevertheless, LPI has had to navigate challenges in these countries such as the high degree of competition in Singapore and the relatively nascent stage of development of the Cambodian insurance sector. We remain confident that these strategic markets will continue to grow their contributions to the Group's overall performance in the years to come.

OUR VALUE PROPOSITIONS

The LPI Group has built a reputation for reliability and trustworthiness because of our customer-centric approach to business and our excellent corporate ethics and governance track record. Our risk management philosophy, which puts prudence and sustainable growth at the forefront, has made LPI a leading figure in the Malaysian general insurance sector. At the same time, our ability to innovate and adapt to dynamic market conditions has helped us remain relevant in a changing market. Our key value propositions to our stakeholders include the following.

Diverse Portfolio of Products and Services

LPI, through Lonpac, provides comprehensive insurance solutions to customers ranging from individual policies to the underwriting of large-scale industrial projects. We recognise that our customers have varying needs and risk appetites, and hence we place great emphasis on ensuring that our products and services are accessible, affordable and relevant. To achieve these levels of performance, LPI conducts extensive market research and works collaboratively with various industry partners, including local and foreign partners and reinsurers, to plug any gaps in our portfolio of products and services.

While we prioritise the growth of specific classes of business in line with our business model for a specific time frame, we are committed to the overall growth of all classes of business in which we operate. LPI currently offers insurance solutions in the following segments:

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

Extensive Distribution Network

The LPI Group has a wide-ranging and comprehensive distribution network that is supported by a network of agents who have been carefully nurtured and developed to provide insurance solutions for our various customer segments. As our frontline representatives, our agents not only play a critical role in communicating product information and services to our customers, but also help us further improve our offerings by channelling customer feedback back to our officers. LPI's agents therefore function as an intermediary between our customers and ourselves, helping us align our products and services with customer needs and expectations.

In addition, the Group also works together with government and industry partners, including local and foreign insurers, to provide specialised coverage as well as to underwrite large projects. In doing so, we expand our underwriting portfolio and, in conjunction with our prudential approach, minimise our risk exposure from any one specific source. Our work in this area is supported by our in-house actuarial and research teams, which work together and jointly with partners to identify opportunities suitable for the Group. This includes exploring opportunities in emergent themes such as sustainability and climate-related risks.

22 **Physical Distribution Channel**

- 21 branches (Malaysia)
- 1 branch (Singapore)

Finally, LPI has intensified the use of digital technology to further strengthen and broaden our distribution capabilities. Our digital offering makes use of online and mobile platforms to reach out to new customer segments, especially the younger, technologically savvy demographic, giving them greater control and flexibility over their choice of coverage. We have similarly developed the Group's internal information technology ("IT") resources in line with the Group's Digital Transformation plan, which aims to establish our online presence as a key distribution channel.

At present, our physical distribution channel comprises 21 Lonpac branches throughout Malaysia and one in Singapore. We also have an associated company in Cambodia through Campu Lonpac Insurance Plc.

Prioritising Customer and Stakeholder Support

Securing customer and stakeholder satisfaction has been a priority for the LPI Group since we started offering insurance solutions over 50 years ago. An essential component for the sustainability of our operations, we have taken great lengths to train and prepare our staff and representatives to develop lasting and meaningful relationships with our customers while providing top-notch advice and service quality. The insurance business is ultimately one built on trust and relationships, and these relationships can only be built by providing fair, reliable and efficient solutions over time.

As a part of our efforts to ensure customer satisfaction, we pay particular attention to the management of insurance claims. Claims are generally only triggered as the result of peril or misfortune, and thus the claims process may take place during a time of stress or duress. We therefore make every effort to streamline the claims process by expediting the procedure whenever possible to minimise disputes and settle open cases. The Group's claim process is benchmarked against internal targets and assessed every quarter to ensure that it meets our service standard commitments. Our process also specifically targets claims files that remain open past predetermined thresholds.

In addition to our internal processes, the Group also takes steps to enhance our channels of communication with customers and widen the various platforms through which they can make inquiries. These include our specialised Customer Service Centre as well as through online touchpoints via our web portal. We make use of these channels to communicate new information about products and services to our customers and also to collect feedback from them. Customers also have access to self-service functions on our web portal, giving them greater autonomy in managing their policies and purchasing new coverage.

Other customer services offered by Lonpac include:

Lonpac E-Assist	Lonpac Home-Assist	Lonpac Travel Assist
A 24-hour car assistance service facilitating minor roadside repairs, emergency towing services, car rental services and hotel accommodations to Lonpac's Private Car Secure, Private Car Secure Plus, Motor ezSecure, Private Car Niscare and Comprehensive Private Car insurance policyholders.	A referral assistance programme providing home repair and maintenance services to Lonpac's Home Secure Plus, Mortgage Home Secure Plus, Houseowner and Householder policyholders.	A medical and emergency assistance programme for travellers covered under Lonpac's BizTravel, Travel Secure and Travel ezSecure policies.

LPI's web portal also serves as an important point of contact for our corporate stakeholders including investors and shareholders. This is part of our commitment to transparency and corporate governance, and we endeavour to make all necessary and relevant information to help them make proper assessments of our business and capabilities available to them. This integrated annual report is also part of that effort to provide relevant financial information to our investors and shareholders.

PRIORITISING LOCAL EXPERTISE AND DEVELOPMENT

The Group, as one of the largest locally-owned insurers in Malaysia, has a role to play in developing local general insurance expertise and securing the sustainability of the sector. We believe that as a business that is people-focused, there can be no substitute for local experts who have intimate knowledge of local culture and business philosophies. The Group therefore prioritises the hiring and development of local talent as part of our business strategy and part of our efforts to create a more sustainable general insurance industry.

We adopt a top-down approach towards this end, with our leaders setting the tone for the rest of the organisation. We therefore staff our Management and Board of Directors ("Board") with personnel who have strong local expertise and connections to foster stronger working relationships with our stakeholders. Similarly, we also prioritise the hiring of local talent and make significant effort to train and develop them to support our operational needs and the needs of the local insurance industry.

OUR INVESTMENT CASE
GROUP CORPORATE STRUCTURE
AS AT 31 DECEMBER 2022

LPI CAPITAL BHD

Malaysian Company	Overseas Company
100%	45%
Lonpac Insurance Bhd	**Campu Lonpac Insurance Plc**
Underwriting of General Insurance	*Underwriting of General Insurance*

Notes:
- The companies reflected above are operating subsidiary/ associated companies.
- The full list of companies under the LPI Group is set out in Notes 7 and 8 to the Financial Statements on Pages 173 to 174 of this Integrated Annual Report.

OUR APPROACH TO SUSTAINABILITY

The LPI Group's sustainability practice is guided by the LPI Group Sustainability Framework ("the Framework") which was enhanced and endorsed by the LPI's Board of Directors in 2022. The Framework represents the formal structure that governs all the Group's activities and steers them towards sustainable ends where possible. The Framework assumed the role as our central sustainability programme in line with regulatory requirements. The activities and goals of the Framework are specified into discrete objectives in the LPI Group Sustainability Blueprint, which represents the Group's sustainability targets and milestones over the short- and medium-terms, while supporting the long-term sustainability goals.

From a governance standpoint, the Framework stipulates the principles that guide the management of sustainability within the Group covering:

Key activities related to materiality assessment	Development of the Sustainability Blueprint	Monitoring of sustainability-related targets and goals	Remuneration linked to the Group's sustainability-related KPIs	The Group's sustainability reporting timeframe

The Framework is the culmination of our efforts over the past decade to make our sustainability practices more comparable and transparent to help our stakeholders understand the challenges, risks and opportunities faced by the Group. The objective of our sustainability practice is outlined in the following sustainability statement:

The Group is committed in providing innovative, affordable yet sustainable products and services while preserving the environment and improving the overall well-being of our stakeholders with good corporate governance and business transparency.

OUR SUSTAINABILITY GOVERNANCE STRUCTURE

LPI Board and Lonpac Board, together with the supports of the LPI Risk, Compliance and Sustainability Committee ("RCSC") and the Lonpac Risk and Sustainability Committee ("RSC"), govern the overall implementation of the Group's Sustainability Blueprint. It is further supported by two management bodies: the Sustainability Council at the Group level and the Sustainability Committee at the executive level, i.e., at Lonpac which is the operational arm of the Group. Both bodies report directly to their respective Board of Directors, which comprises overlapping members from each Board. The functions and hierarchy of our sustainability governance structure is detailed in the organisational chart below.

LPI Capital Bhd

Board of Directors

Includes LPI's Board Committees

Sustainability Council

Sustainability Council consists of senior management from its subsidiary and chaired by LPI Group Chief Executive Officer ("CEO")

Lonpac Insurance Bhd

Board of Directors

Includes Lonpac's Board Committees

Sustainability Committee

Sustainability Committee consists of various control functions and chaired by Lonpac Chief Executive Officer ("CEO")

Enterprise Risk Management & Sustainability Department

Business Unit

Business Unit

Business Unit

We note that Board oversight and participation is critical in the management of sustainability. We have subsequently incorporated their participation into the overall management chain of sustainability matters, which is detailed in the following table:

LPI Board of Directors ("LPI Board")

- ultimately responsible for the management of material sustainability matters within the Group
- reviews and approves the LPI Group Sustainability Framework, in line with the Group's core values and vision
- reviews and approves the LPI Group Sustainability Blueprint, including its targets and goals
- ensures that the Group's sustainability performance against targets are communicated to stakeholders
- ensures that the remuneration of Board of Directors and key personnel of the Group are linked with sustainability-related targets and goals

LPI Sustainability Council

- prepares and proposes the LPI Group Sustainability Blueprint to the LPI Board
- oversees the implementation of the LPI Group Sustainability Blueprint
- consolidates the Group's overall sustainability performance against targets and goals
- ensures that the Group's policies and operations are in line with sustainability-related targets and goals as approved by the LPI Board
- responsible for conducting LPI's sustainability assessment

Lonpac Board of Directors ("Lonpac Board")

- reviews and approves the Lonpac Sustainability Blueprint in line with LPI Group Sustainability Blueprint
- oversees the management of significant/ material sustainability risks
- ensures that adequate resources and processes are in place to achieve sustainability-related targets and goals

Lonpac Sustainability Committee

- prepares and proposes the Lonpac Sustainability Blueprint to Lonpac Board
- oversees the implementation of Lonpac Sustainability Blueprint
- ensures policies and operations are in line with the sustainability-related targets and goals as approved by Lonpac Board

Enterprise Risk Management & Sustainability Department

- addresses, communicates and coordinates the implementation of the sustainability-related matters across Lonpac's business units
- tracks and monitors sustainability performance to ensure alignment with sustainability-related targets and goals
- reports performance of sustainability matters and Environmental, Social and Governance ("ESG") risks to the Lonpac Sustainability Committee

Business Units

- provides expert advice on material sustainability risks inherent in their respective departments
- determines the approach and method for achieving Lonpac Sustainability Blueprint within their departments
- integrates sustainability matters into their operations, in line with the Lonpac Sustainability Blueprint
- provides necessary support and data to Enterprise Risk Management & Sustainability Department and Sustainability Council for sustainability reporting purposes

OUR APPROACH TO SUSTAINABILITY

OUR SUSTAINABILITY PROCESS

The Group has formalised its sustainability process to ensure that our activities and goals remain relevant within a quickly changing and dynamic operating environment. In doing so, we have enshrined the following processes into our Sustainability Framework:

1. The Sustainability Council will conduct a sustainability assessment, i.e. stakeholder prioritisation and materiality assessment, every two years to identify changes in the composition of our stakeholder groups and material matters.
2. The Sustainability Blueprints will be updated and sent to both the LPI and Lonpac Boards for validation and approval every two years.
3. The Sustainability Blueprints contain the list of material sustainability matters and the Group sustainability-related plans and strategies in addition to the sustainability-related targets and goals.
4. Both the Sustainability Council and Sustainability Committee will meet at least once every quarter to discuss sustainability performance as well as emerging sustainability risks and opportunities.
5. The Sustainability Committee will provide performance updates against sustainability-related targets and goals to Lonpac Board at least twice a year.
6. The LPI Board will review the Group's Sustainability Framework periodically, to ensure that the Group's Sustainability Framework remains relevant and is aligned with regulatory requirements.

To ensure that our reporting is in line with best international practices, the Group's sustainability disclosures are guided by the principles of the following standards, to ensure transparency to its stakeholders:

- the Sustainability Accounting Standards Board ("SASB")
- the Global Reporting Initiative ("GRI")
- the Task Force on Climate-Related Financial Disclosures ("TCFD")

We will further enhance the disclosures to be in line with the TCFD requirements moving forward.

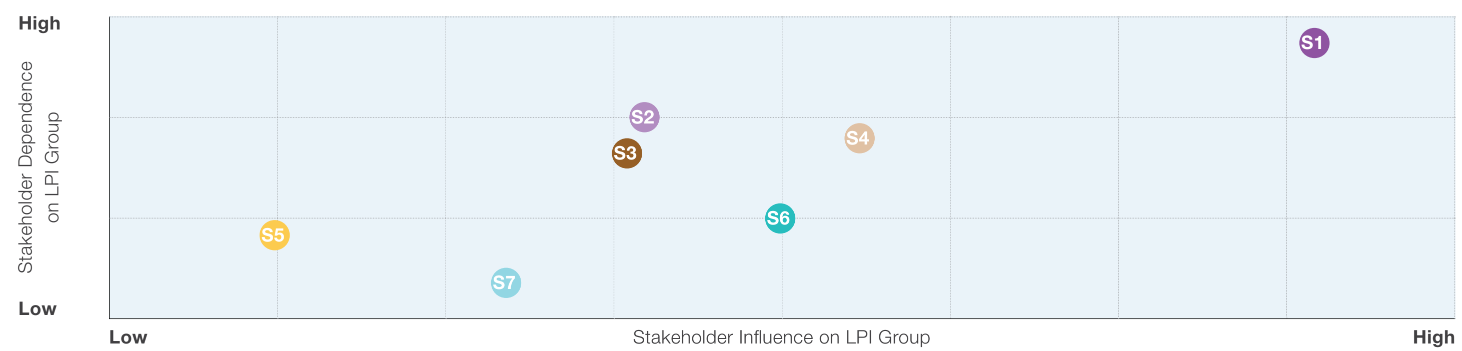
STAKEHOLDER IDENTIFICATION

The Group recognises seven key stakeholder groups which impact or are directly impacted by our value creation activities. These stakeholders are also directly or indirectly involved in our value creation activities and therefore an important part of the overall sustainability of the Group. The table below provides an overview of these stakeholders.

Stakeholder		Description
S1	Employees and Directors	Our employees are key enablers of our value creation activities and are the main form of human capital as well as intellectual capital for the Group.
S2	Business Partners and Service Providers	Our business partners are third-parties who facilitate our value creation activities by distributing our insurance products, assisting in underwriting risks, generating new business lead, etc. They are sources of human, intellectual and relationship capital that we use in our activities. Our service providers include our outsourced service providers, panel adjusters, lawyers and workshops supporting our value creation activities.
S3	Shareholders and Investors	Shareholders and investors are stakeholders who hold a direct financial stake in the LPI Group through the purchase of shares in our Company or through other means. They are sources of financial capital for the Company.
S4	Customers	Our customers are policyholders and key beneficiaries of our insurance activities. They are sources of financial capital, social capital and relationship capital.
S5	Associations and Communities	The LPI Group operates within a larger communal context comprising other groups to whom we owe duties and obligations. These include social welfare group, and groups concerned with special interest topics such as financial literacy and fraud prevention. They are a source of relationship capital, social capital as well as intellectual capital for us. We also include trade associations such as Persatuan Insurans Am Malaysia ("PIAM") and Malaysian Insurance Institute ("MII") in this stakeholder group.
S6	Legal Entities	Legal entities include our regulatory authorities who oversee the regulatory framework in which we operate. Examples include Bank Negara Malaysia ("BNM") and Bursa Securities who specify our operational boundaries. Legal entities are sources of intellectual capital and social capital as they provide advice and expertise in relation to the regulatory environment.
S7	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 regard them as sources of relationship capital.

Stakeholder groups are regularly reviewed to ensure that they accurately represent the scope of our activities. We also prioritise our stakeholders through our stakeholder prioritisation exercise which is represented in the matrix below.

STAKEHOLDER PRIORITISATION



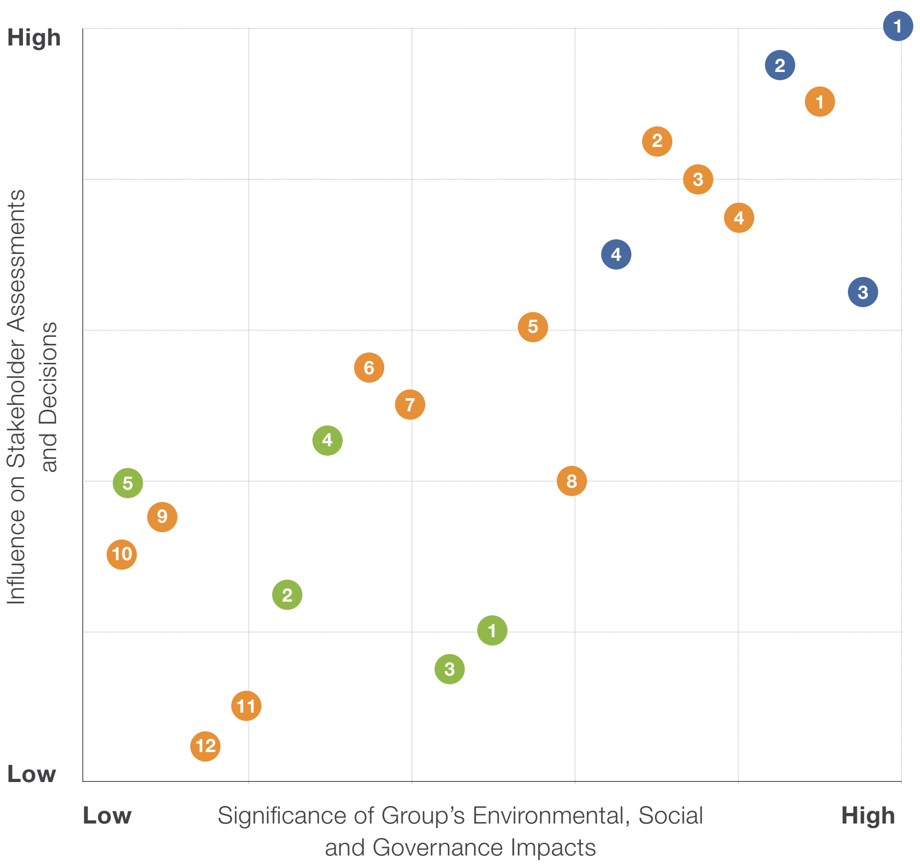
OUR APPROACH TO SUSTAINABILITY

DETERMINING MATERIALITY

Materiality assessment is an important plank in our sustainability platform which enables us to assess and determine issues that may have significant financial and non-financial impact on our organisation. These include matters that may directly affect our value creation activities or matters that may have indirect and knock-on impact.

The Group's materiality assessment is conducted regularly every two years to ensure that our list of material matters remains relevant in the changing operating context. We conducted a materiality assessment in 2022 through online means which is in line with the Group's overall direction in minimising the carbon footprint. We have received more than a thousand online surveys from which the following materiality matrix was developed.

LPI Group Materiality Matrix



ENVIRONMENTAL

1. Climate Mitigation and Resilience
2. Emissions Management
3. Energy Management
4. Water Management
5. Waste Management

SOCIAL

1. Customer Experience Management
2. Employee Health, Safety and Well-being
3. Claims Management
4. Employee Competency
5. Digital Transformation
6. Product Availability and Affordability
7. Diversity and Inclusion
8. Business Partners Competency
9. Job Creation
10. Social Responsibility
11. Supply Chain Management
12. Sustainable Product and Investment

GOVERNANCE

1. Anti-Bribery and Corruption
2. Cybersecurity, Privacy and Data Protection
3. Financial Rating
4. Corporate Governance

As part of our efforts to further enhance our sustainability disclosures, these material matters have been linked to the United Nations' Sustainability Development Goals ("UN SDGs"). The following UN SDGs have been prioritised for the Group, indicating the way in which our material matters work towards achieving these sustainability goals.

UN SDG		
8 DECENT WORK AND ECONOMIC GROWTH	SDG 8: Decent Work and Economic Growth	The Group is committed to improving the overall well-being of our stakeholders, including, but not limited to, the growth in their wealth, and to provide a safe and secure working environment for our employees. This UN SDG has been selected as employees are the backbone of our Group and a vital input in all our value creation activities.
11 SUSTAINABLE CITIES AND COMMUNITIES	SDG 11: Sustainable Cities and Communities	The Group is committed to the provision of good services, affordable and accessible products for our stakeholders. The Group's insurance business helps build financial resiliency in the wider community by providing protection in the event of misfortune or catastrophe. The Group effectively build sustainable cities and communities by helping consumers manage their financial risk through the provision of affordable insurance solutions. This is in turn important for sustainable community economic development as well as for maintaining the sustainability of our capital inflow.
13 CLIMATE ACTION	SDG 13: Climate Action	The Group is committed to playing a role in the climate agenda through our activities. Being a major general insurer in Malaysia, climate change continues to have a huge impact on the Group's overall business performance. As a responsible investor and business operator, we help forward the climate agenda by investing responsibly and providing sustainable insurance solutions.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	SDG 16: Peace, Justice and Strong Institutions	The Group is committed to the principles of transparency, good corporate governance and accountability. The Group has developed a strong corporate governance and business transparency track record over the years, which have in turn contributed to our business success. As part of our fiduciary duty to our stakeholders, we prioritise the practise of exemplary corporate governance, which includes a commitment to ethics, integrity and corporate responsibility.

TRIBUTE TO THE LATE TAN SRI DATO' SRI DR. TEH HONG PIOW

The employees of the LPI Group would like to pay tribute to our late Chairman and founder Tan Sri Dato' Sri Dr. Teh Hong Piow, a true pioneer and icon of the Malaysian financial industry. Tan Sri Chairman had served as a figure of inspiration and stalwart leader for each and every member of the LPI Group, and we shall always be grateful for all that he had done for us. Tan Sri Chairman will be deeply missed by all of us.

Born on 14 March 1930, Tan Sri Chairman began his banking career in 1950 as a bank clerk at the Overseas-Chinese Banking Corporation and quickly stamped his mark on the Malaysian financial landscape. In addition to founding Public Bank Berhad, which is now the second largest company on Bursa Malaysia in terms of market capitalisation, Tan Sri Chairman also had the foresight to venture into the insurance industry at a time when the sector was dominated by large Western firms. Even then, he had the faith and confidence that the then infant Malaysia, newly unshackled from colonial rule, would flourish and prosper, and would come to need a sophisticated financial system to realise its potential.

Tan Sri Chairman would also quickly realise that the financial system needed to be one built on trust and on relationships. Thus, from the start, he had always emphasised the need for his companies to put the customer at the forefront of all that they did in order to give them reassurance and peace of mind. This insistence of Tan Sri Chairman—that we must always be the reliable partner that our customers can trust in their time of need—has become an integral part of the culture and DNA of the LPI Group. It is because of this single-minded dedication—that we are here for the people—that the LPI Group has survived and thrived when so many others have failed to last the distance.

From the uncertainties experienced during the Group's early years when it was founded as the London & Pacific Insurance Company in 1962, through the tumultuous political and economic upheavals faced by our young country, the LPI Group has prospered because of Tan Sri Chairman's steady leadership at the helm. If the first half of the company's history was one of weathering the growing pains of a nascent Malaysian insurance industry, the latter half was one of managing the challenges of Malaysia's coupling with the global financial system. Through it all, the LPI Group remained a faithful friend to our customers, and a robust and resolute institution within the Malaysian financial landscape. The times may change, but, as Tan Sri Chairman knew better than most, the insurance business would remain the same: it would always be about people and trust.

Tan Sri Chairman led by example. He was never one to let someone else bear the responsibility that he felt belonged to him, and thus remained the Chairman of the Group until the very end. With an impeccable character and an inexhaustible work ethic, Tan Sri Chairman firmly believed in seeing things through and did so with the utmost integrity and perseverance. It is this combination of intelligence, integrity and sheer grit that gave him the ability to overcome all challenges and emerge stronger from trials and tribulations. It is also because of these traits that he and his companies have acquired a keen sense of prudence and conservativeness, a strong instinct for justice and fairness, and an infallible belief that the right way of doing things is the only way to proceed.

The employees of the LPI Group keenly felt Tan Sri Chairman's influence over the years and have come to internalise his values as our own throughout the entire organisation. From that perspective, we, too, are a part of his legacy and we, too, are more than just employees but members of a family who share in his vision and his philosophy on business and life. As we share in his vision, so do we take inspiration and courage from our memory of him. Tan Sri Chairman may have departed but he has left us to carry on with his work and his promise to remain a faithful friend and trusted business partner in the days to come.

Tan Sri Chairman passed away peacefully on the morning of 12 December 2022.

The Late Tan Sri Dato' Sri Dr. Teh Hong Piow

NOTE FROM OUR CHAIRMAN

The year under review was marked by tumultuous change as the world continued to unwind itself from pandemic-imposed restrictions. One key development arising from this situation was the sustained rise in global inflationary pressure which suppressed economic growth and substantially increased the cost of doing business.

The reaction by global central banks to aggressively hike interest rates to suppress inflationary pressure had further curbed economic growth and increased the likelihood of a global recession. Geopolitical tensions also continued unabated in Eastern Europe, disrupting global trade and exacerbating the shortage of materials and labour, effectively adding even greater pressure on economic growth.

To put the current operating environment in context, the International Monetary Fund projected in a recent report that global inflation would rise to 8.8% in 2022 from 4.7% in 2021, which would in turn slow economic growth from 6.0% to 3.2% in 2022.[1] At the same time, the World Bank said in a study that unchecked inflationary pressure is pointing to a looming global recession which may result in a 'string of financial crises in emerging markets and developing economies that would do them lasting harm'.[2] Suffice to say, prospects for a quick recovery in the global macroeconomic environment given extant conditions are not promising and indeed promise to further deteriorate in 2023.

The situation in Malaysia is less dire. Despite external headwinds, the Malaysian economy enjoyed a strong resurgence in domestic demand in 2022 following the resumption of business activities. Gross Domestic Product ("GDP") for the year has surpassed expectations and the Government has revised its projected GDP growth to 6.5-7.0% from 5.3-6.3%. Inflation has also largely been kept in check, which, though high, did not reach the same peaks as other economies. This is a positive sign for Malaysians, and there are indications that the recovery will extend into 2023.

Nevertheless, our economic prospects remain tied to the performance of the global economy and will be negatively affected by a global recession. The ringgit has already borne the impact of rising interest rates and a slowing of external demand, weakening to levels unseen since the 1998 Asian financial crisis. The lower exchange rate, coupled with a shortage in the supply of labour and materials, have had and will continue to have a significant impact on most sectors of the domestic economy, including the general insurance sector. Thus, while the strength of domestic demand will cushion the impact of a global slowdown, Malaysia will not be entirely shielded from the fallout.

LPI'S PERFORMANCE DURING THE YEAR

The LPI Group ("the Group"), comprising LPI Capital Bhd ("LPI") and Lonpac Insurance Bhd ("Lonpac"), reported a Profit Before Tax ("PBT") of RM373.5 million for the year under review, down 14.6% from the RM437.3 million in 2021. The lower PBT was fully expected as a result of the normalisation of claims and loss ratios catching up with expectations. Lonpac's Claims Incurred Ratio for 2022 came in at 44.0% (FY2021: 36.5%), contributing to a poorer Combined Ratio of 71.2% (FY2021: 62.5%).

The Board notes that the ranking of our market share in the Malaysian general insurance market has dropped two positions, to 4th in 2022 from 2nd in 2021, according to the Insurance Services Malaysia Berhad's ("ISM") Statistical Bulletin for the period of January to September 2022. Nevertheless, we continued to maintain our leadership position in the key business classes of Fire and Bond. In addition, Lonpac's Combined Ratio for the full year of 71.2%, a measure of profitability, continues to beat the industry average of 88.9% for the period of January to September 2022.

[1] https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022
[2] https://www.worldbank.org/en/news/press-release/2022/09/15/risk-of-global-recession-in-2023-rises-amid-simultaneous-rate-hikes

PROFIT BEFORE TAX
(RM million)
373.5

CLAIMS INCURRED RATIO
44.0%

COMBINED RATIO
71.2%

TOTAL DIVIDEND PAYOUT
60.0 sen

Total Gross Written Premiums ("GWP") of RM1.63 billion was higher than the RM1.56 billion reported in the previous year, slightly slower than the industry's GWP growth which had increased by 10.8% for the first nine months of 2022 in tandem with the reopening of the economy. The combination of these factors suggest that the marketplace has grown extremely competitive since the reopening of the economy, which is marked by the fall in our market share ranking during the year. However, the fact that our profitability remains superior to the industry average suggests that our conservative strategy of being selective about risk and the efficiency of our technical underwriting capabilities is working in our favour.

Investment income for the Group came in lower at RM100.4 million from RM105.7 million in 2021 as dividend income declined with our investee companies becoming more cash conservative owing to poorer prospects. This was partially offset by higher interest income which rose in tandem with interest rate hikes during the year. We are aware that the investment landscape remains extremely fluid and are taking all precautions to ensure that our risk exposures do not exceed our prudential thresholds. In addition, we are aware that Bank Negara Malaysia ("BNM") has started encouraging financial institutions to consider the sustainability practices of their investee companies in making their investment decisions, and we are making all efforts to comply with this directive.

On behalf of the Board, I am pleased to announce a second interim single tier dividend of 35.0 sen for the financial year ended 31 December 2022. While we are aware that the operating environment remains challenging for the foreseeable future, we are confident of our financial health and in the sustainability of our value creation model. This dividend payment also plays a role in the fulfilment of our commitments to our shareholders, who are important stakeholders for the Group. Together with this payment, our total dividend payout for 2022 comes up to 60.0 sen per share.

SUSTAINABILITY CHALLENGES ON THE HORIZON

While the short- and medium-term challenges described in the sections above may have significant impact on our operations and for all Malaysian businesses, we remain optimistic that most of these problems are temporary and cyclical. In other words, as serious as they may be, they remain manageable challenges that will be overcome as operating conditions normalise and as the market stabilises. Of greater concern are the challenges that we cannot expect to fix themselves, namely environmental sustainability issues such as climate change and its accompanying natural catastrophes.

Malaysians will recall the devastating floods experienced at the end of 2021 and beginning of 2022 which caused billions of ringgit in damage, and which claimed numerous lives and destroyed livelihoods. Described by many as a "once in a century" disaster, links have been made between the severity of the floods and climate change. If this connection is valid, then such severe flooding will occur with greater regularity to the detriment of all Malaysians.

Climate change, however, is not a local issue: over the years, we have read and seen for ourselves just how these extreme weather patterns are occurring with ever greater frequency all around the world, exacting immeasurable losses in terms of lives and livelihoods lost and properties destroyed. Climate change is not a problem for just the rest of the world; indeed, it would be extremely short-sighted for anyone to think of themselves as somehow protected from the impact of climate change. Even insurers such as ourselves have now been forced to re-evaluate the risk posed by these catastrophes to our business, which, according to experts, have been under-estimated or altogether unmodelled by previous risk assessment approaches.[3] This is a very dangerous position in which to find ourselves as the failure to properly account for the risk posed by natural catastrophes may have a profound impact on our organisation, or, worse yet, on the overall financial system.

[3] https://www.spglobal.com/ratings/en/research/articles/210923-global-reinsurers-grapple-with-climate-change-risks-12116706

NOTE FROM OUR CHAIRMAN

"LPI Group has always kept a close eye on sustainability issues, and is taking the necessary precautions in integrating them with our prudential approach to underwriting."

We would like to state that the LPI Group has always kept a close eye on sustainability issues, and is taking the necessary precautions in integrating them with our prudential approach to underwriting. This has culminated in the development of the LPI Group Sustainability Framework and Sustainability Blueprint which function as the official sustainability guides for the Group going forward. These sustainability governance documents are guided by our regulators—Bursa Malaysia Securities Berhad and BNM—as well as by international best practices to ensure that we are doing our part to account for the impact of climate change on our activities and to do our part to help mitigate the climate crisis.

It bears repeating that we have always prioritised sustainability in all that we do, but the important distinction is that we now have a formal mechanism for analysing and reporting the sustainability impact of our actions. It has also cultivated a change in thinking and culture in our organisation leading to the creation of the Group's Sustainability Council, Sustainability Committee, and Enterprise Risk Management & Sustainability Department. These units within the Group are responsible for ensuring that our approach to sustainability generates positive results towards mitigating the Group's environmental impact and in ensuring that sustainability issues are thoroughly integrated with our business.

On a personal note, it is my hope that other Malaysian corporates will heed the clarion call by our regulators to take sustainability and climate change seriously. We cannot afford to view such mitigating activities as mere window dressing but must recognise climate change as a clear and present danger that affects every one of us.

MOVING FORWARD

As we have seen from the financial performance of the Group for the year under review, we are currently operating in challenging conditions which have made the return to pre-pandemic conditions difficult. The normalisation of claims due to the resumption of business activities has affected the entire insurance industry, with profitability declining to pre-pandemic levels. There is a new challenge, however, in the form of the rising cost of goods and services, which will have an impact on our loss ratio. This is a problem not only for insurers, but also for policyholders who may find themselves underinsured owing to the higher replacement costs of their insured assets. To avoid such a scenario, we have started working together with our policyholders to review the valuation of their assets and, where necessary, draw up new policy terms to ensure that they receive adequate coverage for their needs.

Geopolitical tensions will also continue to have an impact on certain segments of our business portfolio, such as our marine business, due to the imposition of economic sanctions. While this represents a small portion of our overall business, we continue to monitor developments in this area which may have a more significant impact on the flow of global trade. Although the domestic economy has not felt any direct impact from the tension, we cannot rule out the possibility that any deterioration in this area may have a knock-on impact on other aspects of our business. Our risk and actuarial teams are therefore keeping a close eye on emerging developments to ensure that they do not threaten the sustainability of the Group.

The Group will also have to manage challenges stemming from the resumption of the phased liberalisation of the general insurance sector. The process entered a new Phase 2A in 2022 which has introduced greater flexibility and a general reduction in tariffs. While we welcome the new opportunities presented by liberalisation, we similarly recognise that this means greater competition within the marketplace, which will translate into margin compression. Nevertheless, our stakeholders should be assured that we have the necessary strategies in place to increase our market share and thereby offset the consequences of lower margins.

In addition, we also expect to see some impact by the adoption of new accounting standards in January of 2023. The coming into force of Malaysian Financial Reporting Standard 17, Insurance Contracts ("MFRS 17") in January will have a salient impact on the way we report the results of some segments of our businesses. As such, stakeholders should be aware that there may be some swings in our reported numbers in the coming months as we undergo a period of adjustment.

Meanwhile, BNM may raise interest rates in line with central banks around the world to curb domestic inflation and strengthen the Ringgit. This will effectively increase borrowing costs, which may lead to a decline in borrowing for high-value items such as homes and motor vehicles. The Malaysian central bank has nevertheless taken a gradual approach towards monetary normalisation which should prevent significant shocks to the market or to businesses more generally. The domestic economy is expected to further improve going forward, although the extent of the improvement will again be influenced by external factors.

The central bank also advised that it expected inflation to remain elevated, but had likely reached its peak in the third quarter of 2022. As such, Malaysia is not expected to drop into a recession with the economy expected to grow between 4.0-5.0% in 2023.

ACKNOWLEDGEMENTS

First and foremost, on behalf of LPI's Board of Directors, I would like to express our deepest sympathy and condolences to the family of our late Chairman and founder Tan Sri Dato' Sri Dr. Teh Hong Piow. Words alone cannot express our sadness and grief at the loss of this true icon and giant of the Malaysian financial industry. We shall miss his stewardship of the company, his steadying presence and his companionship. It is with the deepest sense of gratitude and appreciation that we thank him for his service to this company and to the country.

We would also similarly like to thank the Management and staff of the LPI Group for their dedication and hard work this past year during a tumultuous time. We are confident that we have the best people in place to navigate us past the obstacles coming our way and we look forward to working together with you in the coming year. We hope that you will carry on and continue the legacy of Tan Sri Teh in seeking excellence in all that you do.

The Board would also like to express its gratitude to the Group's network of agents and intermediaries who have pulled together with us through thick and thin, and remained one of our most supportive advocates. We appreciate your contribution to our cause and for your continued efforts in functioning as the bridge between our customers and ourselves.

The Board would like to express its appreciation to our customers and shareholders who have remained loyal supporters of the LPI Group all these years. The relationship of trust that we have built over the years is invaluable, and we hope that you will continue to rely on us to meet your insurance needs in the future. A special word of thanks goes to our regulators and governing authorities, especially BNM, who has taken the lead in transforming the insurance business into a more transparent, accountable, and better governed industry. Thank you for your advice and leadership during this challenging period.

Finally, I would like to express my thanks to my fellow Board members for their advice and contributions over the past year. I look forward to working together again with you in the coming year.

Tee Choon Yeow
Independent Non-Executive Chairman
(Re-designated as Independent Non-Executive Chairman effective from 19 January 2023)

MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion & Analysis ("MD&A") gives our stakeholders a detailed account of the value creation activities of the LPI Group, which comprises LPI Capital Bhd ("LPI") and its wholly-owned subsidiary Lonpac Insurance Bhd ("Lonpac"). This section covers the Group's activities for the financial year ended 31 December 2022 and contains qualitative and quantitative metrics that facilitate the comparison and assessment of the Group's performance.

As per the requirements of our stock exchange regulator Bursa Malaysia, this MD&A complements the information contained in our financial statements by disclosing material non-financial information including our operations during the year, our financial condition, identified trends and risks, and information that may not be reflected in the financial statements. It is focused on our value creation activities, especially those that related to our material issues, as well as on the outcomes of our value creation activities targeted at stakeholders. This narrative is framed over the short-, medium- and long-terms to illustrate the way in which our activities have evolved over the years, particularly with respect to our sustainability activities. This is illustrated by our value creation model on Page 61 of this report.

Note on Sustainability Disclosures

As part of our efforts towards integrating sustainability with our day-to-day operations, we have included in this report sustainability disclosures mandated by our stock exchange regulator together with the MD&A. This is a departure from our previous practice where sustainability was reported in a separate section, distinct from our core operations. This MD&A can therefore be regarded as an enhanced MD&A which links our performance together with sustainability in distinguishing it from our past years' reports. Our goal going forward is to further harmonise our sustainability practices with our day-to-day operations.

BUSINESS PERFORMANCE BENCHMARKS[1]

1. Market position based on Gross Direct Premiums (Motor & Non-Motor) – General Insurance collected for the period January – September 2022: **Ranked 4th**

2. Classes of insurance where Lonpac was ranked in the **Top 3** for the period January – September 2022:

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

3. Lonpac's Combined Ratio – the sum of incurred losses and expenses as a percentage of earned premiums – was **73.1%** for the period January – September 2022 as compared to the industry average of 88.9%

4. Lonpac's Management Expenses Ratio was **22.4%** for the period January – September 2022 as compared to the industry average of 24.0%

The following table[2] provides a breakdown of the premium contributions of our various business segments.

Class	2022 RM'000	2021 RM'000	Variance RM'000	Variance %	Contribution 2022 %
Fire	**659,381**	630,995	28,386	4.5	**40.5**
Motor	**371,341**	356,604	14,737	4.1	**22.8**
Marine, Aviation and Transit	**97,889**	95,574	2,315	2.4	**6.0**
Miscellaneous	**500,233**	477,864	22,369	4.7	**30.7**
Total	**1,628,844**	1,561,037	67,807	4.3	**100.0**

[1] (Source: ISM Statistical Bulletin – Market Share by Line of Business and Market Performance, General Insurance & General Takaful)
[2] Disclosure of SASB FN-IN-000.A. See Page 273 for the full SASB table.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS - TEN-YEAR GROUP FINANCIAL SUMMARY

	Year Ended 31 December									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
OPERATING RESULTS (RM'000)										
Operating Revenue	**1,657,590**	1,717,734	1,621,592	1,602,701	1,513,663	1,470,631	1,378,892	1,284,586	1,169,693	1,119,022
Gross Written Premiums	**1,628,844**	1,561,037	1,550,625	1,524,368	1,469,377	1,421,339	1,278,339	1,250,799	1,149,162	1,105,678
Operating Profit	**373,906**	436,139	432,408	414,389	401,954	401,263	516,502	391,100	342,032	257,277
Profit Before Tax	**373,461**	437,316	433,565	414,719	405,965	403,749	518,925[N1]	393,066	341,949	256,801
Profit Attributable To Owners Of The Company	**276,607**	344,679	336,728	322,361	314,049	313,794	437,223	320,989	283,016	201,440
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM'000)										
Total Assets	**5,133,784**	4,894,804	4,519,706	4,045,890	4,240,553	3,814,615	3,656,113	3,625,348	3,377,206	3,202,331
Total Liabilities	**2,950,923**	2,753,782	2,444,238	2,073,991	2,083,768	1,893,704	1,818,797	1,886,747	1,724,336	1,595,788
Share Capital	**398,383**	398,383	398,383	398,383	398,383	338,244	331,986	331,986	221,324	221,324
Total Equity	**2,182,861**	2,141,022	2,075,468	1,971,899	2,156,785	1,920,911	1,837,316	1,738,601	1,652,870	1,606,543

Operating revenue has shown steady growth over the past 10 years with the exception of 2022. This was due to a decline in Gross Earned Premiums as well as a lower dividend income. Higher interest and rental income partially cushioned the decline but could not prevent operating revenue from slipping 3.5% for the year. We remain confident that we will resume our positive growth trend in 2023.

KEY RISKS

- Increased competition arising from the liberalisation of the Motor and Fire classes of business
- Increased competition and growing risk of online threats due to digitalisation
- Increased claims costs and risks of customers being under-insured due to inflationary pressure
- Increased reinsurance costs due to growing frequency of climate change-related catastrophes

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 0.57 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

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.

	Year Ended 31 December									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
SHARE INFORMATION AND VALUATION										
Share Information										
Per share (sen)										
Basic Earnings	**69.4**	86.5	84.5	80.9	78.8	78.8[N2]	109.7[N2][N3]	80.6[N2]	71.0[N2]	50.6[N2]
Net Dividend	**60.00**	74.00	72.00	70.00	68.00	72.00	80.00	70.00	75.00	70.00
Net Tangible Assets	**546.56**	535.32	518.73	492.34	541.38	578.61	553.43	523.70	746.81	729.22
Share Price as at 31 December (RM)	**12.64**	14.06	13.72	15.10	15.74	18.16	16.38	16.08	18.06	17.44
Market Capitalisation (RM'000)	**5,035,561**	5,601,265	5,465,815	6,015,583	6,270,548	6,028,866	5,437,931	5,338,335	3,997,111	3,859,891
Share Valuation										
Net Dividend Yield (%)	**4.4**	5.5	4.6	4.0	3.8	4.5	5.6	4.1	5.0	5.1
Dividend Payout Ratio (%)	**86.4**	85.5	85.2	86.5	86.3	76.2	60.7	72.4	58.6	76.6
Price to Earnings Multiple (times)	**18.2**	16.3	16.2	18.7	20.0	19.2	12.4	16.6	21.1	19.1
Price to Book Multiple (times)	**2.3**	2.6	2.6	3.1	2.9	3.1	3.0	3.1	2.4	2.4

LPI maintains a healthy dividend policy which has seen a net dividend yield of between 3.8% and 5.6% 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 RISKS

- Disruptions to financial performance

N2 - The Basic Earnings Per Ordinary Share from 2013 - 2017 were restated to take into effects of bonus issues during the year 2015 and 2018.
N3 - The Group's earnings per share for 2016 would be 72.0 sen if it was adjusted to exclude the one-off realised gains of RM150.4 million arising from the disposal of long-term equity investment.

MANAGEMENT DISCUSSION & ANALYSIS

	Year Ended 31 December									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
FINANCIAL RATIOS (%)										
Profitability Ratios										
Return on Equity	**12.7**	16.1	16.2	16.3	14.6	16.3	23.8	18.5	17.1	12.5
Return on Assets	**5.4**	7.0	7.5	8.0	7.4	8.2	12.0	8.9	8.4	6.3
Operating Margin	**22.6**	25.4	26.7	25.9	26.6	27.3	37.5	30.4	29.2	23.0
Net Claims Incurred	**44.0**	36.5	41.2	43.9	40.9	38.5	38.3	41.0	44.0	45.5
PRODUCTIVITY RATIO										
No. of Employees	**827**	818	815	813	803	790	772	738	705	687
Gross Written Premiums Income per Employee (RM'000)	**1,970**	1,908	1,903	1,875	1,830	1,799	1,656	1,695	1,630	1,609
No. of Policies Issued per Employee	**2,371**	2,241	2,608	2,531	2,554	2,399	2,315	2,616	2,331	2,352
No. of Claims Settled per Claims Staff	**1,340**	1,282	1,344	1,534	1,462	1,395	1,340	1,197	1,176	1,170

Net claims increased in 2022 due to the resumption of economy and social activities. As claims are the single largest expense for insurance companies, the increase in claims incurred has a significant impact on profitability ratios.

KEY RISKS

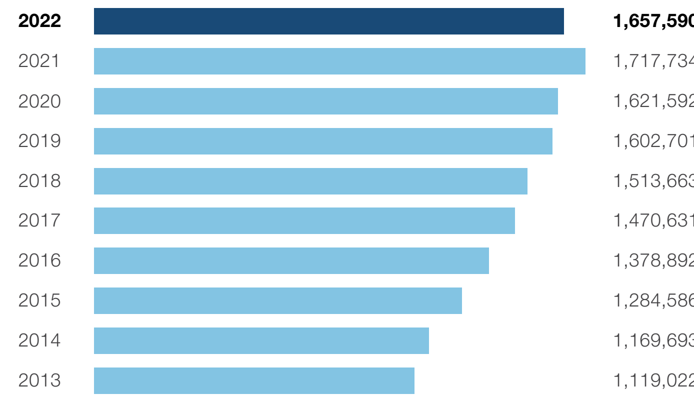
- Unusually large increase in claims filed
- Fraudulent claims

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.

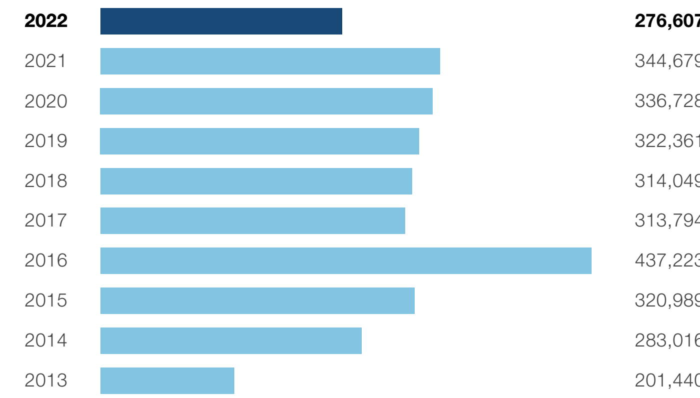
KEY RISKS

- Shortage of skilled and experienced talent

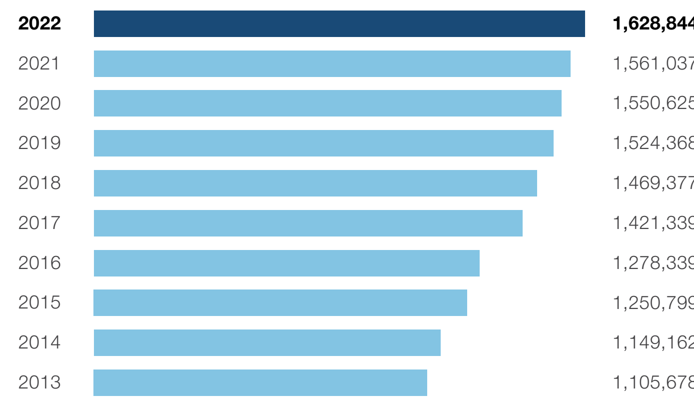
Operating Revenue (RM'000)



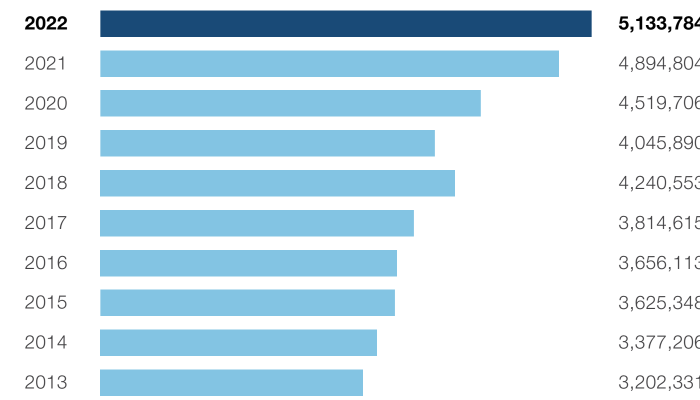
Profit Attributable to Owners of the Company (RM'000)



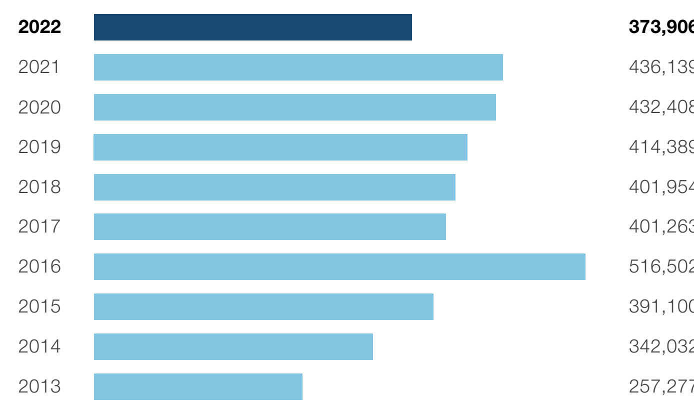
Gross Written Premiums (RM'000)



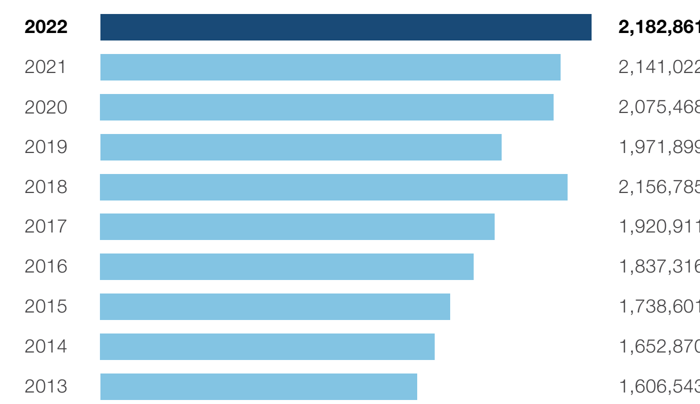
Total Assets (RM'000)



Operating Profit (RM'000)

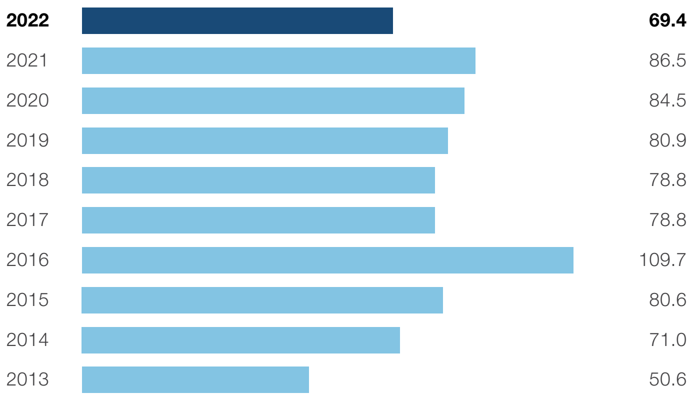


Total Equity (RM'000)



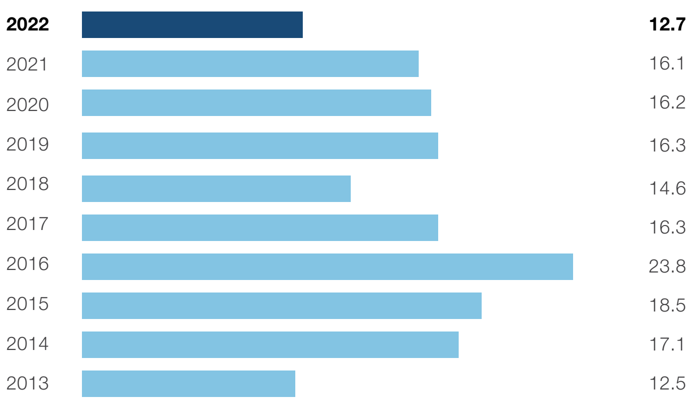
MANAGEMENT DISCUSSION & ANALYSIS

Basic Earnings Per Share (Sen)

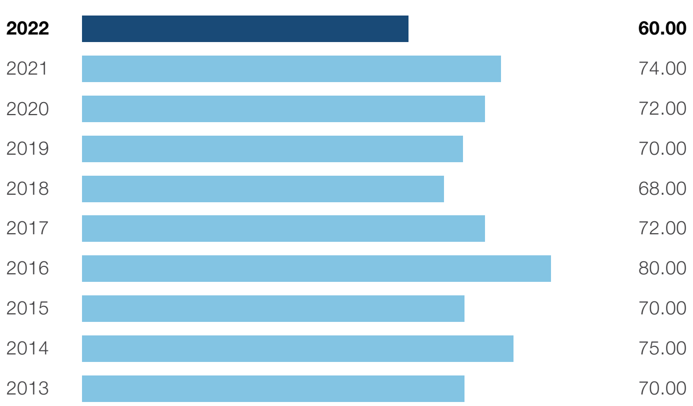


The Basic Earnings Per Ordinary Share from 2013 to 2017 were restated to take into consideration the effects of bonus issues during the year 2015 and 2018.

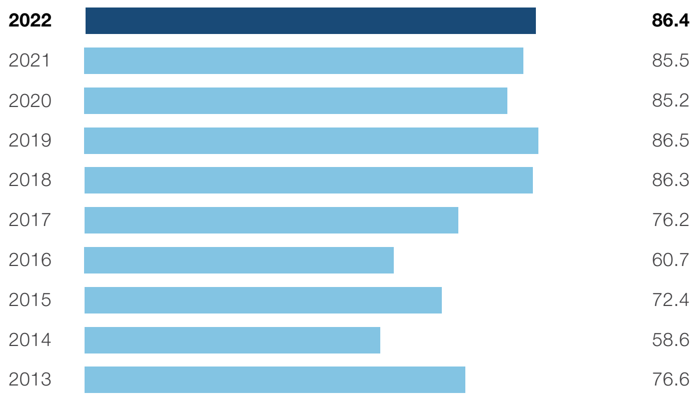
Return On Equity (%)



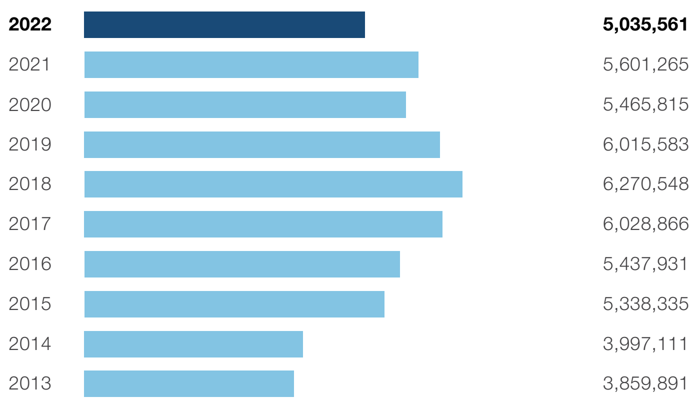
Net Dividend Per Share (sen)



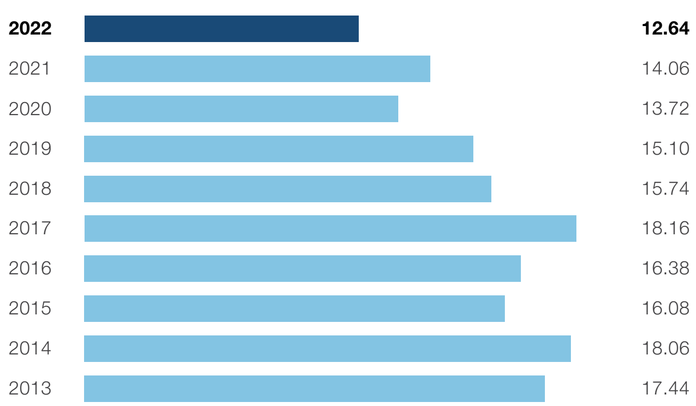
Dividend Payout Ratio (%)



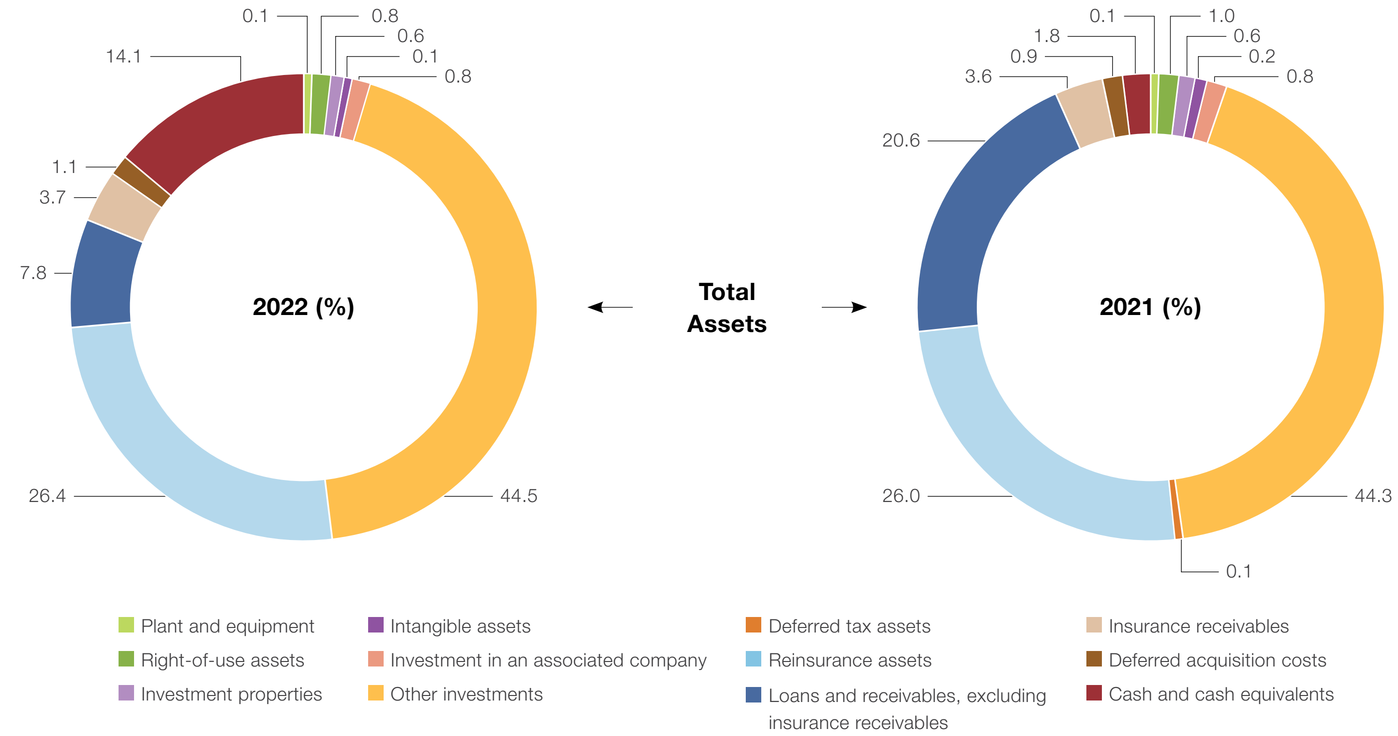
Market Capitalisation (RM'000)

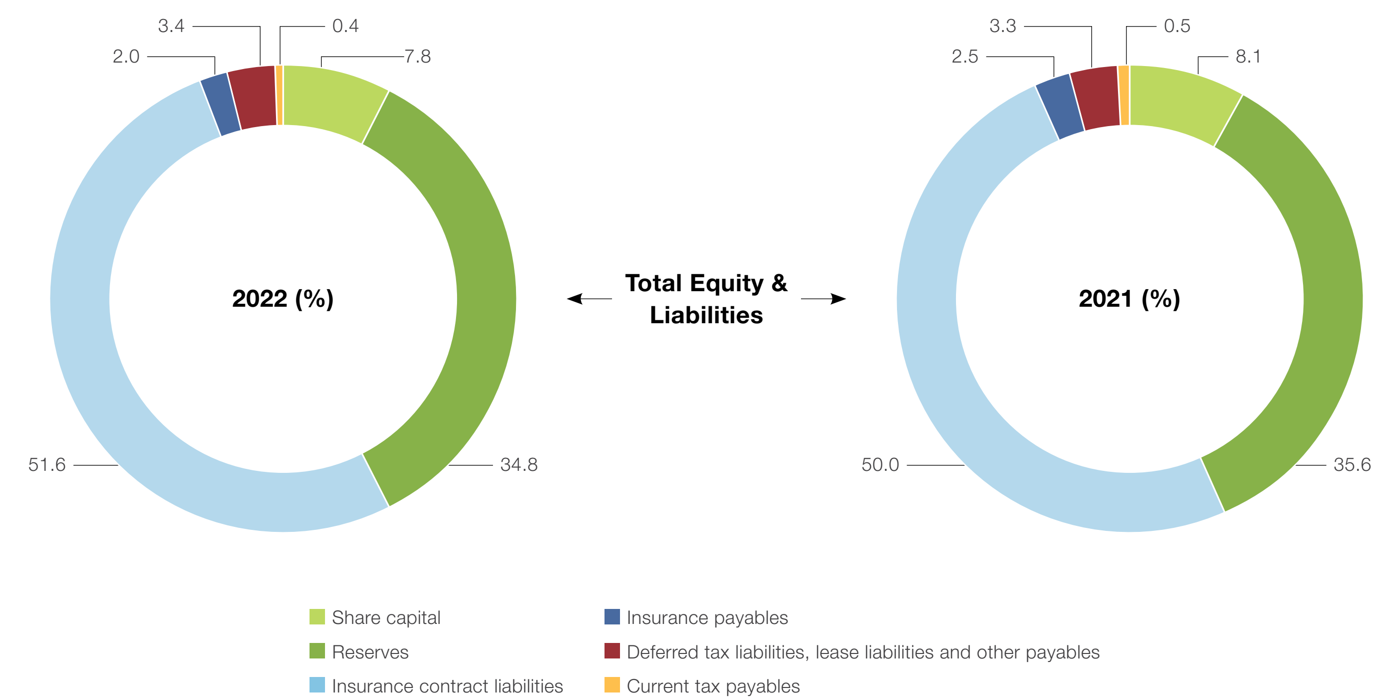


Share Price (RM)



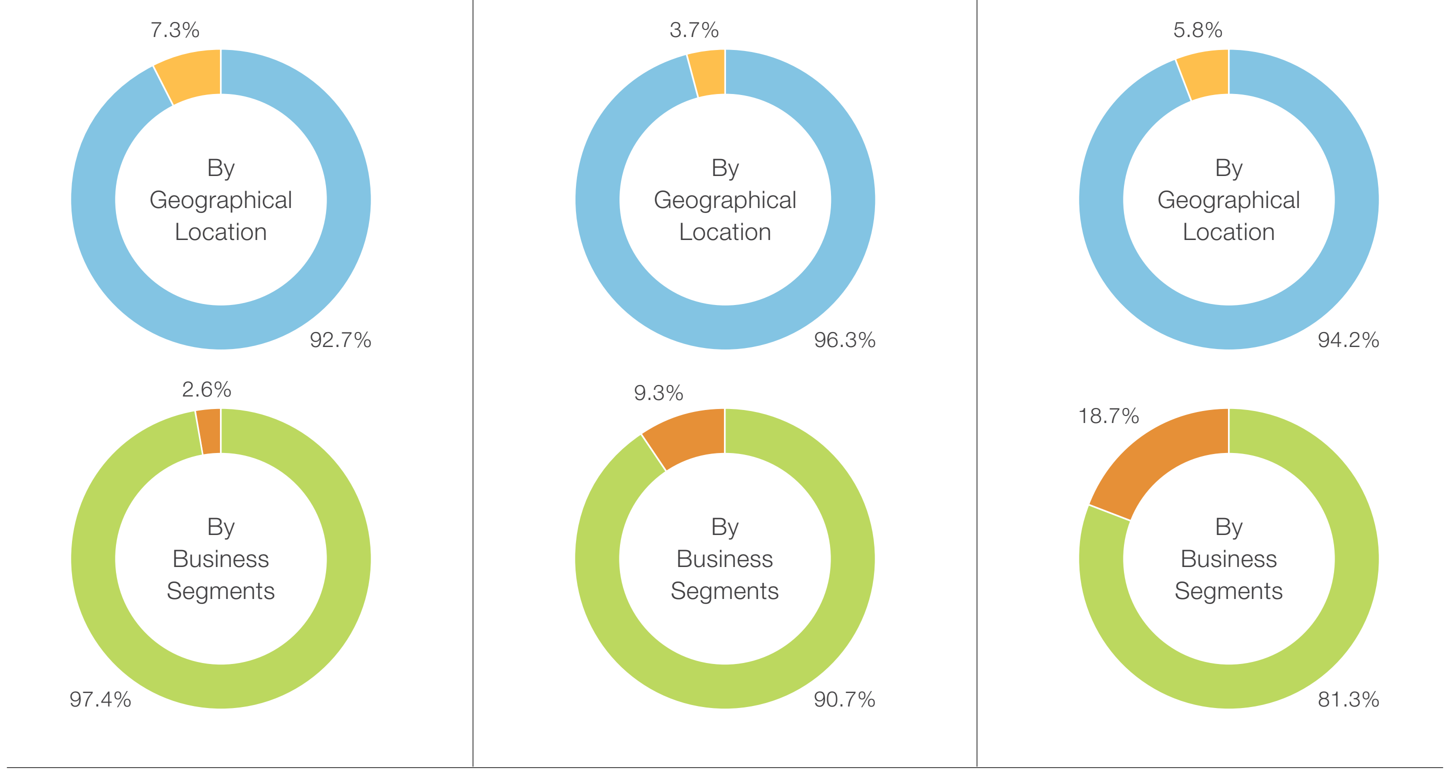
SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION





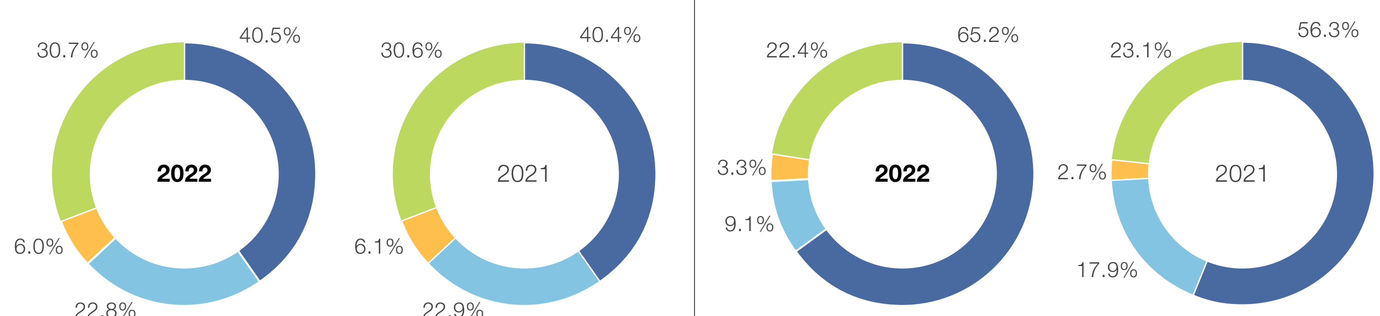
SEGMENTAL ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2022

Operating Revenue | Profit Before Tax | Total Assets



Malaysia | Outside Malaysia | General Insurance | Investment Holding

Gross Written Premiums by Class | Underwriting Surplus Before Management Expenses by Class



Fire | Motor | Marine, Aviation & Transit | Miscellaneous

MANAGEMENT DISCUSSION & ANALYSIS

GROUP QUARTERLY PERFORMANCE

RM'000	2022 First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2022
Financial Performance					
Operating revenue	**397,739**	**397,045**	**429,641**	**433,165**	**1,657,590**
Operating profit	**75,910**	**73,336**	**103,239**	**121,421**	**373,906**
Profit before tax	**75,768**	**73,468**	**103,294**	**120,931**	**373,461**
Profit attributable to owners of the Company	**61,528**	**56,768**	**74,745**	**83,566**	**276,607**
Earnings per share (sen)*	**15.44**	**14.25**	**18.77**	**20.97**	**69.43**
Net dividends per share (sen)	**-**	**25.00**	**-**	**35.00**	**60.00**

RM'000	2021 First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2021
Financial Performance					
Operating revenue	440,786	419,993	427,914	429,041	1,717,734
Operating profit	97,329	109,804	131,033	97,973	436,139
Profit before tax	98,148	109,898	131,338	97,932	437,316
Profit attributable to owners of the Company	82,310	83,919	105,383	73,067	344,679
Earnings per share (sen)*	20.66	21.07	26.45	18.34	86.52
Net dividends per share (sen)	-	29.00	-	45.00	74.00

* 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.

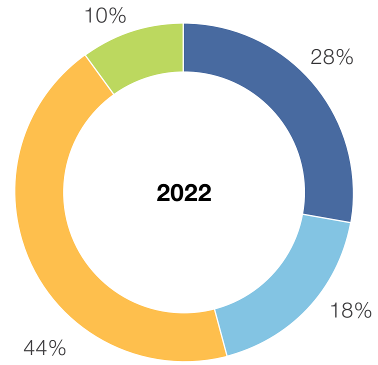
MANAGEMENT DISCUSSION & ANALYSIS

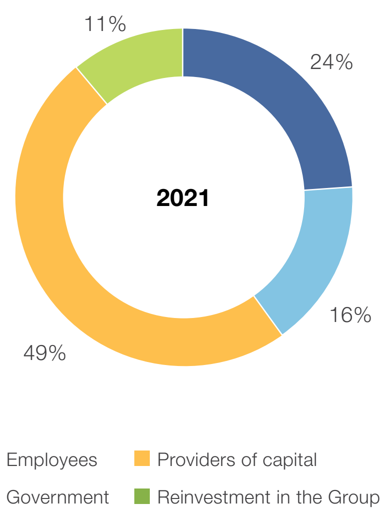
STATEMENT OF VALUE ADDED

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	2022 RM'000	2021 RM'000
Net earned premiums	**988,886**	1,011,882
Other income	**225,129**	221,692
Net claims incurred	**(435,490)**	(369,669)
Other expenses excluding staff costs, depreciation and amortisation	**(239,314)**	(268,751)
Finance cost	**(1,253)**	(1,572)
Share of profit after tax of equity accounted associated company	**808**	2,749
Value added available for distribution	**538,766**	596,331

Distribution of Value Added	2022 RM'000	2021 RM'000
To employees:		
Staff costs	**151,484**	145,741
To the Government:		
Tax expense	**96,854**	92,637
To providers of capital:		
Dividends paid to shareholders	**239,030**	294,803
To reinvest in the Group:		
Depreciation and amortisation	**13,821**	13,274
Retained earnings	**37,577**	49,876
Total distributed	**538,766**	596,331





OUR PERFORMANCE IN 2022

The Group's 2022 performance was affected by significant changes in the operating environment as the domestic economy reopened following two years of pandemic-related restrictions. While the resumption of business activities was a positive development for the country which catalysed a return to growth, the sudden change in momentum had a negative impact on Lonpac's performance, as well as on the performance of the wider insurance sector. The resumption of business and social activity in 2022 saw insurance claims returned to expected levels following a significant decline over the past two years. As a result of the normalisation of claims, the Group's profitability had deteriorated on a year-on-year basis.

The Group also faced other challenges in the operating landscape, primarily from growing inflationary pressure in both global and domestic markets. The rise in prices is attributable to several factors, including shortages arising from disruptions to the global supply chain, excess liquidity in the financial system and the weakening of the ringgit against major currencies. The higher cost of goods has a significant impact on the insurance business as it affects the value of insured assets, which has a direct bearing on the pricing of premiums and on the replacement cost of these assets. Inflation therefore may cause assets to be underinsured and may erode the claims loss ratio, which is a key factor determining an insurer's profitability.

For the year under review, Lonpac's Claims Incurred Ratio deteriorated to 44.0% from 36.5% in the previous year. As a result, underwriting profit deteriorated to RM285.1 million (FY2021: RM379.7 million) for the year despite the growth in Gross Written Premiums ("GWP") to RM1.63 billion (FY2021: RM1.56 billion). Despite the comparatively lower performance, Lonpac continued to outperform the industry on several key benchmarks, reflecting the technical soundness of our insurance business and the exceptional operating conditions over these past two years (see Business Performance Benchmarks on Page 23).

Other factors which affected or which may affect Lonpac's insurance operations during the year or over the immediate-term include the following:

- Resumption of the phased liberalisation of the domestic general insurance business, which entered into Phase 2A in the fourth quarter of 2022.
- Economic sanctions due to geopolitical tensions which may further disrupt global trade and corresponding segments of our businesses.
- Reinsurance rates trending higher representing higher risk stemming from natural catastrophes and extreme weather events.

In terms of investments, the Group's investment income for the year came in lower at RM100.4 million as compared against RM105.7 million in the previous year. This was due to a decline in dividends paid by our investee companies which had become more conservative owing to more opaque business prospects. This was partially offset by the higher interest income of RM34.0 million (2021: RM27.1 million) contributed by new purchase of fixed income securities and higher placement of fixed deposits at higher interest rates.

All these factors taken together contributed to a lower Profit Before Tax of RM373.5 million, down 14.6% from RM437.3 million the previous year. The Group's total assets, including cash in hand, balances and deposits with banks amounted to RM5,133.8 million as at 31 December 2022. The Group believes there is little risk that these assets will experience a significant change in value as they are comprised of short-term (three months or less) instruments and mainly used to meet our short-term commitments. There were no significant changes to the capital structure and resources of the Group in 2022.

MANAGEMENT DISCUSSION & ANALYSIS

OUR GENERAL INSURANCE OPERATIONS

Our general insurance operations form the backbone of our business and is crucial to the overall sustainability of the Group. Over the years, we have built and maintained a strong and loyal customer base which is supported by an efficient and reliable operational back-end. This customer-centric approach coupled with selective and prudential underwriting has resulted in a business model that rewards our stakeholders while remaining sustainable over the long term. The following sections provide an overview of the main functions of our insurance business and their performance during the year under review.

UNDERWRITING

The Group's ability to efficiently underwrite a wide variety of risks and tailor specific solutions to customer needs are key differentiating factors that sets us apart from competitors. This in turn has a direct bearing on the profitability of our insurance business and on the overall sustainability of the LPI Group. To ensure the effectiveness of our underwriting function, the Underwriting Division takes on multiple roles including:

- ✔ Ensuring that underwritten risks comply with the Group's underwriting guidelines to ensure a sustainable loss ratio thereby contributing to a healthy combined ratio.
- ✔ Ensuring the competitiveness of our insurance terms in relation to the wider general insurance market.
- ✔ Setting underwriting terms and conditions on new products or changes jointly developed with the Product Development and Pricing Departments.
- ✔ Supporting business units on service deliverables and ensuring they are accurate and competitive while maintaining the quality of risk acceptance.
- ✔ Ensuring treaty reinsurance is placed and completed by the end of each year.
- ✔ Providing technical training to staff and agents.

The key benchmark measuring our underwriting performance is the Group's Net Claims Incurred Ratio, which deteriorated to 44.0% from 36.5% the previous year due to the normalisation of claims and persistent inflationary pressure. Nevertheless, we continue to outperform the industry average of 54.0% recorded as at the end of September 2022, reflecting the efficiency of our technical underwriting capabilities. This is further reinforced by our Combined Ratio, which was reported at 73.1% for the first nine months of 2022 as compared against the industry average of 88.9%.

As discussed in the main section of the MD&A, the Underwriting Division faced challenges from the reopening of the economy, which had seen claims normalise to pre-pandemic expectations. The rising cost of goods also contributed to a difficult operating environment as rising asset valuations affected replacement costs for underwritten assets and threatened to underinsure some of our customers. The increase in costs had particularly affected our Motor and Health business segments during the year.

The severity of the flood experienced at the end of 2021 and the beginning of 2022 had also forced us to rethink our flood exposure and the potential impact of natural catastrophes related to extreme weather. Indeed, climate change has seen the cost of reinsurance rising as natural catastrophes have occurred with greater regularity worldwide. It has therefore become essential for us to integrate sustainability-related thinking in our underwriting processes in both our own business activities as well as in the business activities of our clients.

The Group's treaty reinsurance programme ensures that there is a proper spread of reinsurers. The Group's catastrophe losses are protected by the treaty arrangement with coverage higher than 1 in 100 years event Probable Maximum Loss. In year 2022, the Company recorded gross and net claims of RM308 million and RM9 million respectively in losses related to flood.[3]

The Underwriting Division continues to implement initiatives to further improve our underwriting capabilities, better manage risks and enhance customer satisfaction. Some of these activities are aimed at making an immediate impact on our near-term performance while others are preparatory or may have a longer gestation period.

Technical Underwriting Enhancements	Customer-Focused Initiatives	ESG-Related Initiatives
• Enhanced Health underwriting guidelines to improve underwriting results, e.g. through reviewing coverage offered, assessment of risks, application of Group Health rater, re-pricing initiatives, etc. • Participated in Insurance Services Malaysia's ("ISM") *Claims & Underwriting Exchange – Accident & Health* which prevents fraud at the point of underwriting and fraud detection at the point of claim through the exchange of information. • Revamped our e-insurance system to give greater functionalities to our agents and customers. • Completed upgrades on our Online Sales Portal products to ensure better coordination and consistency. • Identified flood prone areas and introduced our underwriting assessment guide to our personnel for underwriting risk within flood prone areas.	• Improved eDocument services through the delivery of digital policy contracts and policy documents to policyholders thereby improving efficiency. • Enhanced proposal forms to frame health questions more clearly and accurately to communicate and obtain the exact information necessary for underwriting purposes. • Enabled affected Health Policyholders to temporarily switch to a cheaper plan or product with the ability to revert to their original coverage within a minimum period of twelve (12) months from the date of switching without new or additional underwriting to assist Policyholders who experienced financial difficulties during the COVID-19 Pandemic. • Launched our Fire Consequential Loss Secure, which offers better terms on consequential loss. • Enhanced our e-Assist Smart Driver and e-Assist Smart Driver Plus benefits and adjusted premiums to be on par with, if not better, than the market. • Improved Information Technology ("IT") offerings to expand online payment and renewal options.	• Dedicated sustainability department to address, communicate and coordinate implementation of sustainability-related matters across the business unit. • Increase Environmental, Social and Governance ("ESG") awareness among our customers operating in critical industries through the distribution of ESG literature and direct contact during the risk survey. • Maintaining studies on flood and earthquake impact on semi-annual basis. Exposure of flood and its Probable Maximum Losses ("PML") is monitored on a monthly basis. • Expanded the classes of business where insurance policies are available in softcopy: - Public Bank Berhad ("PBB") Motor insurance policies. - PBB Fire insurance policies. - Individual and Group Health insurance policies. - Insurance agent's copies of policies. - Policies of all classes of business issued through the Global Partner Department and by selected brokers.

[3] Disclosure in fulfilment of SASB indicators FN-IN-450a.1 and FN-IN-450a.2. See Page 273 for our full SASB disclosure table.

MANAGEMENT DISCUSSION & ANALYSIS

OUR GENERAL INSURANCE OPERATIONS

Plans Going Forward For Our Underwriting Division

Claims normalisation and inflationary pressure will remain the primary challenges for the Underwriting Division in the near-term. The resumption of the phased liberalisation of the general insurance sector will also exert greater competitive pressure as Malaysian insurers step up their product development and marketing activities to grow their market share. It is therefore imperative that we take the necessary steps to ensure that our loss ratio remains at healthy levels and that a careful balance is struck between growing our market share and ensuring the risks taken do not exceed our prudential guidelines.

Moving forward, we will need to be more technical and selective in our choice of business, and become more actuarial and scientific in our approach to underwriting. This also means enhancing our models to become more sensitive to ESG risks, which is expected to further grow in the near-term. We will also take steps to review the valuation of customers' assets as many Small- and Medium-Sized Enterprises ("SME") and domestic policyholders may be carrying policies that are underinsured. This is potentially a hazard for both policyholders and for us, and needs to be quickly remedied.

CLAIMS

The claims process is one of the most important stages of the insurance lifecycle as it represents a test of trust or assurance between the insurer and the insured. Claims take place during a critical time as they are only typically filed when the insured experiences loss due to misfortune or peril, and may be in a vulnerable position. The claims experience is therefore crucial in building and maintaining the relationship of trust with our policyholders.

Claims are managed by the Claims Department and have been individually tailored to the needs of our customers. Our personalised claims experience has been designed to maximise customer satisfaction, reduce the potential for miscommunication, and encourage customer retention. It has also been purpose-designed to be efficient, straightforward, and transparent to provide our customers with visibility of the claim's status, and expected timeframe of completion every step of the way. From a business standpoint, the service quality of our claims is crucial in maintaining our competitive advantage in an increasingly crowded market.

The advent of new technology has seen the claims process rapidly change with the integration of next-generation solutions such as automation, artificial intelligence, and analytics becoming increasingly common. This is a necessary and inevitable development as the presence of these new technologies have sped up the overall claims process, improved decision making, lowered costs and risks, and further enhanced customer experience by giving them greater transparency into the overall status of their claims. It has become clear that technology will play a bigger role in the overall insurance sector, and companies that can make best use of such technologies will derive a competitive advantage.

Lonpac has similarly started embedding these new technologies into our claims process, and have already started reaping the benefits of having revamped systems with intelligent workflows that combine data with automation and straight-through-processing. Integrating these functions across organisational boundaries have empowered claims staff and clients, expedited service, and expedited claim settlements. We have greater ambitions with respect to the integration of technology, and further details are available in the Plans Going Forward For Our Claims Department section on Page 38.

The normalisation of claims in 2022 saw a sudden surge in volume with 53,462 claims filed during the year (2021: 46,870 claims) in tandem with the resumption of economic activity. This experience, coupled with an increase in climate related-claims, has further impressed upon us the growing importance of embracing innovating operating models to build greater resilience and future readiness in our claims processing systems. Case in point is the severe flooding experienced in several states in Peninsular Malaysia at the end of 2021 and the beginning of 2022, which served as a reminder of the impact of climate change.

In order to best manage developments in the future, we are currently in the midst of developing a more reliable approach to identify, measure, monitor and control flooding risk, and are working together with our underwriters by providing them with claims processing data. This intends to help them with their analyses of risk and to make informed decisions on risk acceptance and mitigation measures.

To that end, we have embarked on a systems integration project to achieve cost-savings by streamlining claims processing and straight-through processing. Several direct benefits of this project include improvements to productivity, reduction of errors, and a streamlined claims processing flow which will be simpler for claims staff. The key benchmark measuring the success of our initiatives is claims productivity, defined as the number of claims settled per claims staff.

As compared to 1,282 claims settled per claims staff member in 2021, our productivity performance levels had increased by 4.5% to 1,340 claims settled per claims staff. This was mainly due to a general increase in the number of total claims registered owing to the reopening of the economy. Total claims filed for 2022 rose by 14.1% to 53,462 claims from 46,870 the previous year. The following table provides a breakdown of our claims by business segment.

	No. of Claims Registered		No. of Claims Settled	
Class	**2022**	**2021**	**2022**	**2021**
Fire	**8,711**	4,550	**6,325**	2,422
Motor	**26,609**	21,655	**15,215**	13,774
Health & Personal Accident	**10,806**	10,023	**8,265**	7,473
Others	**7,336**	10,642	**4,764**	7,058
Total	**53,462**	46,870	**34,569**	30,727

Claims Management

Claims management has been identified as a key material matter under our sustainability assessment given its importance to all our stakeholders. Given its importance to our reputation and, by extension, our competitivity in a crowded market, the management of claims is an essential part of the Group's overall sustainability. To gauge our claims performance on a year-on-year basis, we track data points that measure efficiency, completeness, and service standards.

MANAGEMENT DISCUSSION & ANALYSIS

OUR GENERAL INSURANCE OPERATIONS

Summary of Claims Management Benchmarks for 2022

Benchmark	Description	Measurement	Target	Achievement
Claims settlement ratio	Measures the efficiency of the claims process	Percentage of the number of claims settled against the number of claims registered	Indicative ratio to exceed 65.00%	**2022: 65%** (2021: 66%) (2020: 68%)
Claims productivity ratio	Measures the productivity of claims staff	Percentage of the number of claims settled over the number of claims staff	To achieve an average of 1,400 files per staff * The target for claims productivity ratio was set based on the top performers within the General Insurance Industry. Although we are unable to achieve the internal target of 1,400 claims settled per staff, 1,340 claims settled per staff is the top 5 performers within the General Insurance Industry. However, we will continue review and enhance our claims processes to further improve the claims productivity ratio.	**2022: 1,340 claims** (2021: 1,282 claims) (2020: 1,344 claims)
Claims service standard (SASB FN-IN-270a.2)	Measures the claims service standard by the number of customer complaints	Percentage of the number of complaints received against the number of claims registered	Total number of complaints received not to exceed 2.5% of the total number of claims registered	**2022: 0.1%** (2021: 0.1%) (2020: 0.1%)

Plans Going Forward For Our Claims Department

We will continue to work on our ongoing project of upgrading our systems and embedding innovation into the claims process to enhance customer claims experience and fuel sustainable growth of the Group. The objective of the systems enhancement is to improve timeliness, transparency, and the overall level of customer satisfaction with the claims process.

For instance, we are developing a feature in our Motor claims facilitating direct communication with our customers via our digital roadside assistant application and web portal. This will be a two-way communication portal where customers will be given the capability of submitting their first notification of loss ("FNOL") and upload claims documents themselves thereby expediting the claims process. The implementation of this feature will also help the Claims Department reduce incidences of fraud, as they would have access to first-hand information about the loss, while customers will also be able to check on the claims and repair status. We are also looking to implement image recognition and deep learning technologies to facilitate digital loss assessment and repair. For example, claims managers will be able to use live video inspection modules to check on claims remotely thereby expediting the entire process.

The Claims Department will also form cross-functional teams to develop new procedures and processes that structure, coordinate, and promote innovation for growth. This will be supported by the newly implemented integrated systems put in place to streamline complex processes.

FUTURE PROSPECTS

The near-term prospects for the LPI Group remain opaque given the uncertainty in macroeconomic conditions. The domestic economy is expected to continue to recover in 2023 with Bank Negara Malaysia ("BNM") projecting Gross Domestic Product ("GDP") growth of 4.0-5.0% in 2023. The central bank also said that it did not expect Malaysia to fall into a recession but warned that slowing global growth may pose challenges to the country. While BNM expects inflation to have peaked in 2022, it said that it expects to continue seeing shortages in supply in 2023 due to disruptions in the global supply chain, which may in turn have inflationary effect.

It also remains uncertain as at the time of the writing of this report if the new Government, elected in November 2022, will propose any adjustments to existing subsidies. The removal of fuel subsidies, for example, will likely exert inflationary pressure on pricing and challenge economic growth. Other macroeconomic policies that may have an impact on our business will be BNM's decision on interest rates in the coming months. The market is widely expecting the central bank to hike the Overnight Policy Rate ("OPR") in the coming years in a bid to curb price rises and to strengthen the value of the ringgit. A higher OPR will likely translate to lower demand for property and motor vehicle purchases, which may in turn have an impact on premiums growth in both segments.

The Group remains confident that we will be able to weather the challenges posed by the macroeconomic climate due to our selective underwriting approach and the longstanding relationship of trust that we have with our customers. Meanwhile, we will continue to monitor Government announcements on projects which may yield insurance opportunities for the Group and act accordingly.

The central bank has also resumed the phased liberalisation of the general insurance industry, which entered Phase 2A in the fourth quarter of 2022. As stated previously, we are fully prepared ourselves for liberalisation and have already started designing products that make the most of the new open regime. At the same time, changes to accounting reporting standards and requirements on claims reserving will have an impact on our reported numbers during an adjustment period, but we believe that these changes will be positives in the long run. We remain confident in our ability to adapt and innovate in the new operating environment and will remain focused on business growth to offset the expected compression in margins. Technology will play an increasingly more important role in both the production and marketing of these products.

Finally, we believe that the sustainability agenda has gathered substantial momentum over the last few years and will continue to become a high priority for corporations going forward. More investors will have sustainability-related mandates and stricter regulatory requirements will be expected from authorities as the world accelerates its effort to bend the missions curve. The Group has similarly enhanced its sustainability practice and reporting, and has committed to integrating new standards into our disclosures. The new sustainability management structure detailed in *Our Approach to Sustainability* (Page 10) provides a thorough overview of how we plan to manage our environmental impact and our plans to adopt the Task Force on Climate-Related Financial Disclosures ("TCFD") by the end of 2023. We will also continue with our efforts to better align our sustainability and operational goals towards the same objectives.

MANAGEMENT DISCUSSION & ANALYSIS

GOVERNANCE

Governance issues are material sustainability matters for the LPI Group which have a direct bearing on the outcomes of our activities. Our governance material matters were previously reported in a separate sustainability statement, but we have opted to integrate them into our MD&A owing to their material importance to our overall enterprise.

CORPORATE GOVERNANCE

The Group's corporate governance comprises a system of rules, practices, and processes that guides and controls all its activities. As a material matter, corporate governance ensures that every element of the Group operates in line with expectations and that all stakeholders are fairly treated in their dealings with us. From an operational standpoint, good corporate governance ensures that the inputs used in our value creation activities are appropriately and efficiently utilised, and the value created thereby go to the right stakeholder.

One metric measuring the effectiveness of our corporate governance performance is the monetary loss due to legal proceedings associated with the marketing of our products. We are pleased to note that we did not incur any monetary losses in this regard for the financial year under review and for the previous two years.[4]

The Group's corporate governance is directly overseen by the Board, which takes a direct and proactive interest in all aspects of the Group's management. This emphasis on corporate governance is also expected from each one of our employees, as well as our agents, intermediaries, and business partners. For more information about our corporate governance, please turn to Page 75 of this report for our Corporate Governance Overview.

In recognition of the Group's corporate governance track record, we were awarded the MSWG-ASEAN Corporate Governance Award 2021 – Industry Excellence Award for CG Disclosure (Financial Services) administered by the Minority Shareholders Watch Group ("MSWG") which is a government initiative aimed at protecting minority interests through shareholder activism. The group was also ranked 23rd in the list of Top 100 Companies for CG Disclosure 2021 by the MSWG, reflecting the continuous improvement made in our disclosures.

FINANCIAL RATING

Our financial rating has been identified as a material sustainability matter for the Group, which has a direct bearing on our ability to sustain our value creation activities, and which is in turn a determinant of the level of stakeholder confidence in us.[5]

Capital Management

LPI Group's capital holdings is governed by the LPI Group's Capital Management Plan ("CMP") which was prepared in line with existing regulatory requirements. Factors taken into consideration in drawing up the CMP include the current operating conditions, business strategy and objectives, and projections of the future operating landscape.

The CMP outlines measures and policies that govern the use of capital and contains a comprehensive list of capital events and their triggers, an assessment of the risks and threats to the Group during capital events and the appropriate remedial operational responses, which intensify in proportion to the magnitude of the capital event or capital breach. The objective of the CMP is to restore and maintain normalised levels of capital to secure operational continuity. For insurers, this means ensuring sufficient capital to meet all financial obligations and regulatory requirements, including reserves for claims.

As at 31 December 2022, the Group's Capital Adequacy Ratio ("CAR") exceeded the supervisory CAR of 130% set by BNM as well as the Group's Individual Target Capital Level. The adequacy of our capital levels has been further validated by international rating agency A.M. Best Asia-Pacific Limited ("A.M. Best") which is a credit rating agency focused in the insurance sector. The rating was made on the basis of Lonpac's balance sheet strength, strong operating performance, neutral business profile and enterprise risk management.

The rating agency further added that it expected Lonpac's balance sheet to remain strong in the near to medium term, and further credited its strong capital growth and conservative investment portfolio comprising cash, bonds, and debt-focused unit trust funds. A.M. Best on December 2022, reaffirmed its Financial Strength Rating of "A" (Excellent) and the Long-Term Issuer Credit Rating of "a" (Excellent) for Lonpac with a stable outlook. This rating has been maintained by A.M. Best over the past three years.

Stress Testing

Regular stress tests are conducted in line with BNM's Policy Document on Stress Testing. This test identifies threats to the Group that may emerge from adverse financial or capital events, and factors in the current operational environment, the Group's risk profile and the Group's business activities. Factors which have been at the forefront in recent years include the impact of the COVID-19 pandemic, growing inflationary pressure and risks related to climate change.

The stress test is comprehensive, rigorous, and predictive, and aims to streamline processes and prepare staff to manage adverse operational scenarios. Senior Management and the Board of Directors ("the Board") of the Group take active part in the stress test, and are responsible for reviewing the parameters and results of the test. The results of the test are also used to build a risk profile for the Group, emphasising risks to the Group's capital base and financial health, and to develop tools to mitigate these risks.

The stress testing exercise conducted in 2022 concluded that the Group has sufficient capital to support its business requirements and to act as a buffer against potential underwriting volatility. The test also established that the Group has in place the necessary operational measures to ensure business continuity while managing the challenges posed by the macroeconomic environment and further disruption to business activity.

While these challenges and the continuing phased liberalisation of the general insurance business may yet to see the emergence of new risks for the Group, the Board and Management are confident that the Group has sufficient resources and right strategies in place to manage the impact of the risks that may arise.

Dividend Policy

The LPI Group has paid regular dividends to shareholders since its listing in 1993. This is consistent with our capital management strategy, which factors our dividend obligations into its parameters. LPI Capital paid RM239.0 million in dividends to shareholders for the financial year ended 31 December 2022 representing a yield of 4.4%. We expect to continue paying regular dividends in 2023 barring any drastic or unexpected changes in the Group's financial and operating environment.

TRANSITION TO MFRS 17

The LPI Group will adopt Malaysian Financial Reporting Standard 17, Insurance Contracts ("MFRS 17") beginning 1 January 2023, replacing the previous MFRS 4. MFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts, bringing about significant changes to the accounting treatment of the Group's insurance and reinsurance contracts. The Group expects that the initial application of MFRS 17 to have material impact on our consolidated financial statements, specifically:

- restatement of the balance of the Group's total equity as at 1 January 2022 and 1 January 2023; and
- restatement of the Group's Profit After Tax ("PAT") for the financial year ended 31 December 2022.

We will restate comparative information upon the adoption of MFRS 17. Some of the salient changes resulting from the adoption of MFRS 17 include:

- The identification of contracts as defined under the MFRS 17 scope;
- The level of aggregation of insurance and reinsurance contracts for measurement purposes;
- Redefined boundaries for insurance and reinsurance contracts;
- The method of measuring insurance and reinsurance contracts, as well as cash flows;
- Methods of judgment and estimations; and
- Presentation and disclosure of insurance and reinsurance contracts.

For additional information about our transition to MFRS 17, please turn to Page 130 of this Integrated Annual Report.

[4] Disclosure in fulfilment of SASB FN-IN-270a.1. See Page 273 for the full SASB table.
[5] The disclosure of our financial rating, capital management and stress testing processes are in fulfilment of SASB FN-IN-550a.3. The full SASB disclosure table can be found on Page 273. Additionally, maintaining capital adequacy, maintaining a strong balance sheet, operating performance and adequate risk management are also targets outlined in our Sustainability Blueprint.

MANAGEMENT DISCUSSION & ANALYSIS

GOVERNANCE

ANTI-BRIBERY AND CORRUPTION

The Group supports any and all efforts to clamp down on bribery and corruption in corporate settings, and have adhered strictly to the Malaysian Anti-Corruption Commission Act 2009. We are highly aware that any violation of the provisions of the act will not only have severe reputational impact, but also exposes the Group to legal liability which may jeopardise the overall sustainability of the Group. To that end, we continued to hold training for our staff in 2022 to ensure that they are aware of their legal obligations, as well as our own internal policies related to bribery and corruption.

In 2022, we held two training sessions where staff were mandated to complete and pass a test. The sessions were held in both English and Bahasa Malaysia, and staff members divided into two groups corresponding to their function within the group. The training sessions were designed by Lonpac's Head of Compliance Department and focused on building greater staff awareness on the legal requirements of the Act as well as our expectations of them in relation to corruption and bribery to be observed at all times.

We are pleased to report that no incidences of bribery or corruption were reported during the year, nor in the two preceding years (2021 and 2020), which achieves the target set in our Sustainability Blueprint.

CYBERSECURITY, PRIVACY AND DATA PROTECTION

There is growing concern over the level of data protection and data privacy offered by corporations given the growing ubiquity of technology in day-to-day lives. Reports of data leaks and data piracy are becoming everyday occurrences, and the consequences of these encroachments become ever more serious given the amount of private information that is now stored in private databases. As such, any failure on our part to protect data and privacy may expose us to financial and legal liabilities, which would also influence our reputation and the overall sustainability of the Group. Privacy and data protection is therefore a material sustainability matter for the Group and requires that we take proactive action to safeguard our proprietary data.

There were no incidences of successful cyber encroachments, substantiated complaints on breaches of customer privacy and loss of confidential data in 2022. We were also able to resolve all high-priority vulnerabilities identified by the penetration testing and web assessment exercises within the specified timeframe. This is in line with our Sustainability Blueprint which targets zero-cases of cyber encroachment for the Group during the year.

To further protect our digital network against online encroachment, we make regular investments into our cybersecurity infrastructure and hire third parties to conduct assessments and audits of our security systems and policies. We also have in place a strict Privacy Policy that details the authorised use of data and customers' confidential data by our partners and employees. Stern disciplinary action is meted out in the event of violations and we make significant effort to ensure that all our stakeholders are aware of our privacy policies. 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

GOVERNANCE INITIATIVES FOR THE FUTURE

Moving forward, we will deploy initiatives that will further strengthen our corporate governance, as well as provide greater transparency on disclosures. This will be aligned with Bursa Malaysia's Enhanced Sustainability Disclosures and Joint Committee on Climate Change's TCFD Application guides.

SOCIAL

CUSTOMER EXPERIENCE MANAGEMENT

Lonpac adopts a customer-centric business philosophy that puts the customer first in all that we do. Customer experience management is a material matter that functions as a measure of the level of customer satisfaction with our products and services. This material matter understands customer experience from a broad perspective, including customers' satisfaction with product range and pricing, with sales and marketing support, the claims management process and their ease of interaction with us.

For example, we make use of digital technology such as Lonpac Apps and Lonpac E-assist which provides customers with assistance in the event of motor accidents. The Lonpac Apps will be further enhanced in line with the Digital Roadside Assistance Roadmap. On top of claims-related complaints described above, the complaints on non-claims related was minimal for the year under review. In quantifying our customer experience management performance, we measure our customer renewal ratio which was reported at 80.0% for 2022 (FY2021: 78.5% and FY2020: 79.9%) against a target of 70%. Meanwhile, we started monitoring our in-force policy count which came in at 1,327,942 policies in 2022 (FY2021: 1,312,360 policies). Both metrics are reported as part of SASB FN-IN-270a.3 and FN-IN-000.A requirement.

SUSTAINABLE PRODUCTS AND INVESTMENTS[6]

The Group's investments decisions are important social matters as they reflect the values of the Group in making our investments, which have been aligned with the guidelines of our regulators as well as our internal policies. We put in place strict policies to ensure that our investments:

- Fall within our prudential risk thresholds.
- Do not place the Group under systemic financial risk.
- Fall within ethical guidelines, e.g., anti-terrorism financing and money laundering.

The Group's investments are overseen by LPI's Investment Committee, which aligns our investment policies and strategies with our overall business strategy and investment guidelines. These guidelines are compared against our risk profile and periodically reviewed to ensure that the Group has not been exposed to unacceptable levels of investment risk.

As an advocate of the sustainability agenda, the LPI Group evaluates the sustainability track record of our investee companies in addition to their returns on investments and credit risk in making our final investment decision. We focus on investing in sustainable assets, i.e., assets that do not have significant ESG impact, as well as funds that are defined as Sustainable and Responsible Investment Funds by Malaysia's Securities Commission ("SC"). We also invest in fixed-income securities issued to promote market sustainability in doing our part to support the Malaysian financial market.

The Board has set its target to allocate more than half of its total investment in sustainable assets, which was defined under its investment policy. In 2022, the Group's sustainable investment assets totaled RM2.1 billion, which is more than half of the total investments.

Total investments yielded a return of RM100.4 million compared against RM105.7 million in 2021. The decrease in investment income was due to a decline in the dividends paid by our investee companies which had become more conservative owing to poorer prospects.

[6] The disclosures in this section are in fulfilment of SASB FN-IN-450a.3 and FN-IN-410a.2. Full disclosures of our SASB tables can be found on Page 273.

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In fulfilment of SASB standard SASB FN-IN-410a.1, we have provided a breakdown of our investment by asset class in the following table. Additionally, details about our sustainable products, in particular on the claims incurred ratio and profitability of the business can be found on Page 33 of this report, while information regarding climate risk and its investment are discussed on Page 55.

Asset Class	2022	2021	2020
Bonds	**13.1%**	8.4%	4.8%
Equities	**29.6%**	29.5%	30.1%
Unit Trust	**27.8%**	31.6%	26.2%
Fixed Deposits	**28.5%**	28.9%	37.2%
Others	**1.0%**	1.6%	1.7%

BUILDING SUSTAINABLE PARTNERSHIPS[7]

Our partners are key to the long-term success of the Group, and have been identified as a key stakeholder group in our sustainability strategy. Our partners comprise a diverse group including our agents, broking and global partners, and financial institutions who distribute bancassurance products on our behalf.

[7] The disclosures in this section are in fulfilment of SASB FN-IN-270a.4. The complete SASB table can be found on Page 273.

Our Agents

Lonpac's network of agents is the single largest distribution channel for our insurance products, contributing RM740.6 million in GWP in 2022 from RM708.5 million in 2021. As our main customer facing representatives, agents play an important role in communicating information about our products and services and to channel customer feedback back to us. The strong contribution of our agency network reaffirms the importance of our agents as our main channel of distribution, as well as the strong relationship that they enjoy with our customers.

The management of our agents falls under the responsibility of Lonpac's Agency Department, which recruits and retains agents, as well as provide for their training and development. It is also responsible for:

- Maintaining a marketing, sales and support team to manage the insurance business secured by our agents.
- Maintaining the IT infrastructure to enhance agent efficiency and productivity and support their sales and promotional activities.
- Developing a structured agent training and development programme for our agents.

Recruitment and retention have been key priorities for Lonpac, especially within the current phased liberalisation environment which has seen greater competition for skilled and experienced talent. Recruitment and training has been disrupted since 2020 owing to restrictions and the uncertainty caused by the pandemic. Thus, when the economy reopened in 2022, we resumed our recruitment drive with greater urgency, raising our agency strength to 3,367 agents from 3,211 in 2021.

We remain focused on recruiting new agents with digital skills as part of our digitalisation plan. The increased adoption of digital transactions since the pandemic is a clear sign of the way forward for the general insurance sector, and we aim to further integrate technology into our operations which includes recruiting technologically savvy agents.

Going forward, we will further intensify our agent recruitment efforts in tandem with the normalising operating environment. We expect agents to remain the single largest distribution channel for Lonpac in the foreseeable future.

Our Financial Institution Partners

Our Financial Institution ("FI") partners are important distribution channels that enable us to tap into the vast client base of the FI to identify new prospects and customers via the bancassurance channel. We work primarily with PBB to develop and offer insurance solutions for their customers, particularly in the area of fire coverage for residential, commercial and industrial properties, and also develop customised solutions to meet their customers' specific needs. We have also launched several campaigns for motor insurance catering to the FI's account holders to develop new business for the business segment.

In 2022, FI contributed RM361.3 million in GWP (FY2021: RM363.3 million). Contributions had decreased slightly following a mixed performance in the Malaysian property market for the year. According to data from the National Property Information Centre's Property Market Report, property sales had increased by 34.5% and 36.1% by volume and value respectively as compared against the same period in 2021.[8] However, the positive momentum slowed towards the end of 2022 owing to BNM's policy decision to raise the overnight policy rate, making loans more expensive. Interest rate hikes are expected to continue in 2023 and may exert further downward pressure on property sales and, subsequently, FI contributions to GWP.

Going forward, FI will be looking to further integrate technological solutions into its systems to drive greater efficiencies and to increase the use of paperless and contactless transactions with our customers. Additionally, we will be looking at ways to offer better protection for FI clients to manage any gaps in their coverage and generate new business for us.

[8] https://napic.jpph.gov.my/

MANAGEMENT DISCUSSION & ANALYSIS

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Our Brokers

The Broking Department works together with our broking partners to develop competitive and comprehensive lead terms for large underwriting projects. The Broking Department covers a wide variety of risks and has, in the past, covered projects ranging from mixed property developments, commercial and hotel projects, to infrastructure and industrialised risks. We are active participants in BNM's Large and Specialised Risks Scheme ("LSR Scheme") and work cooperatively with both local and international brokers, on a direct or co-insurance basis, to provide lead terms. The LSR Scheme was developed to provide favourable cover for large projects with competitive terms for Malaysian risk owners.

Despite the adverse economic situation and the growing challenges accompanying climate change and extreme weather patterns, Lonpac's Broking Department remains resilient amidst the softening of rates and terms. From an operational standpoint, we are facing growing competition among brokers and the increasing presence of Takaful brokers.

Moving forward, we aim to work closely with our brokers, partners and reinsurers in providing lead terms whilst maintaining our prudent risk selection, risk underwriting and risk management in preparing ourselves for a non-tariff and liberalised insurance market. We will prioritise Small- and Medium-Sized Industry ("SMI") companies and personal lines in our product development, persist in providing high service standards, quick and accurate policy management and efficient claims administration to enhance our standing in the market.

Our Global Partners

Lonpac has teamed up with a network of international partners to develop specialised global multinational programmes for the Malaysian market. We leverage our presence in both Singapore and Cambodia to expand our regional reach and attract new global partnerships for 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. The Global Partnership Department is made up of a dedicated and technically sound support team, and is governed by strict service guidelines to provide the best service possible.

This collaboration with global partners leverages opportunities presented by the local insurance market, e.g., the upcoming liberalisation of the general insurance sector, to develop products that are mutually beneficial to both ourselves and our partners. The performance of Global Partnership remained stable in 2022 although, as this Department works with global programmes, the operations of our partners were disrupted by claims overseas related to the pandemic. However, the impact on the Malaysian side was minimal and there will be a return to normalised conditions with the reopening of the economy.

The Global Partnership Department expects to continue to focus on its areas of specialisation and will look to further expand its stable of international partners.

Our Digital Business

As with the rest of our business, advancements in technology have changed the way that we interact with our partners, as well as introduced new partnerships that leverage on digital channels. It has also seen the emergence of new collaborations previously unavailable. Some of our initiatives include:

- Engaging with Motor digital aggregators to offer our Motor products and services.
- Helping our business partners with their digital transformation.
- Enhancing our direct Online Sales Portal to grow GWP.
- Enhancing online platforms to create alternative channels for business partners and customers to reach out to us through digital means.

In 2022, GWP contributions from Digital Business came in at RM16.4 million as compared to RM17.0 million in year 2021.

Business Partners Competency

The Group has identified material sustainability matters that are related to our partners and agents. These material matters recognise the importance of the human element in our value creation activities and the need to build reliable relationships of trust with our partners and agents. We have established mutually beneficial relationships with our partners and agents over many years of collaboration, and we have implicit trust in their ability to represent us in the marketplace. We therefore invest significant resources in recruiting and retaining partners and agents to ensure that they perform their duties to the best of their abilities.

In retaining our agents, we provide competitive remuneration rates that are on par with the industry standard. We also ensure that they receive all the necessary support from our technical staff as well as other opportunities to achieve all their professional ambitions.

Training programmes were partly curtailed in the first half of 2022 but they resumed once pandemic restrictions were lifted. In total, we spend RM15,715 on agent training in Malaysia and Singapore in 2022. The following table provides a comparison of our performance against our Sustainability Blueprint target for agent training in 2022.

	Target	2022	2021
Training hours per Agent	More than 10 hours	**19.4 hours**	21.4 hours
Percentage of Agents attending training	More than 90%	**97%**	96%

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CREATING A SUSTAINABLE WORKFORCE

The Group's workplace management initiatives are aimed at securing the long-term sustainability of our human capital, namely our employees. As our employees are crucial inputs in all our value creation activities, we need to recruit and retain the best talent available to ensure that we attain our objectives and remain competitive in the market.

Our human resource needs have evolved with changing operating conditions and organisational needs. For instance, due to the growing emphasis on integrating technology into our day-to-day activities, we have focused recruitment efforts on candidates with technology skills and who are comfortable working through digital channels. Additionally, we are also looking for technically accomplished individuals to support our operations in the liberalised operating environment, which require that we take on a more actuarial and scientific approach to underwriting risk.

In fulfilling our obligations to our employees, we provide them with the tools they need to perform their jobs and the opportunities to achieve their career ambitions with us. We place a high premium on loyalty and dedication, and reward employees who display long-term commitment. To this end, we have in place Service Recognition Awards that reward long-serving staff when they reach specific service milestones.

The table below provides a summary of the recipients of Service Recognition Awards over the past 3 years.

	Number of Recipients		
Years of Service	**2022**	**2021**	**2020**
40 years	**2**	1	-
35 years	**1**	-	1
30 years	**9**	3	2
25 years	**17**	13	7
20 years	**18**	12	13
15 years	**18**	22	18
10 years	**44**	26	36
Total	**109**	77	77

Employee Competency

Employee competency refers to the ability and skillsets of our workforce in relation to our expectations of them in performing their respective roles. This is a key issue for the sustainability of our organisation as competent employees will ensure that value creation activities are conducted in the most efficient and effective way possible. This applies for the wide range of skills required in the insurance business, which includes specialised risk analysts and actuarial scientists, as well as customer service agents and frontline support staff.

As part of our overall efforts to build a competent and sustainable workforce, we actively encourage our staff to develop their competencies and skills, and grow their professional qualifications. The targets outlined in our Sustainability Blueprint and our performance for the year in reference to talent development are detailed in the following table.

	Target	2022	2021	2020
Staff with Bachelor's Degree or professional qualifications	More than 60%	**67%**	65%	47%
Staff in core operations with professional certification or are actively pursuing certification	More than 50%	**51%**	46%	40%
Staff attrition rate	Not more than 10%	**6%**	2%	3%
Average amount of training per staff member	More than 16 hours	**22 hours**	11 hours	7 hours
Percentage of staff who received formal training	More than 95%	**100%**	98%	93%

In 2022, we spent RM661,663 on our talent development programme. Our training programme was still disrupted by the COVID-19 pandemic at the start of 2022, although we resumed the programme when movement restrictions were lifted during the year. As for the attrition rate of our employees, we have seen the rate return to its pre-pandemic level following the normalisation of operating conditions. There were no operational disruptions due to the staffing issues during the year as all roles were sufficiently filled despite the challenging recruiting environment.

Diversity and Inclusivity

We value diversity of our workforce and recognise the benefits of having a pool of employees from diverse backgrounds who can contribute unique viewpoints based on their individual backgrounds. This is particularly important as we operate in countries that are multicultural and diverse in nature. Having a diverse staff pool ensures that discussions take into consideration points of view from specific cultures and heritages, which in turn helps us develop ideas and solutions to the challenges we may face.

Our Workplace Diversity Policy stipulates that:

- Individuals are to be selected based on the Group's needs and requirements, and matched in their tasks to their experience and qualifications. No consideration of race, religion or gender is to be made during the recruitment process.
- Officers are expected to make conscious efforts to be inclusive in all activities within the Group, including determining the composition of Management Committees and other sub-committees.

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Our performance metrics for this materiality matter is detailed in the table below.

	Target	2022	2021	2020
Gender proportion	More than 30% of each gender	**36:64 (men:women)**	35:65 (men:women)	35:65 (men:women)
Women in management	More than 30% of management roles filled by women	**39%**	39%	38%
Accommodating mothers in the workplace	More than 95% of mothers returning to work after maternity	**93%**	100%	100%

While we have always generally seen all our new mothers returning to work after maternity in previous years, we note that one new mother had opted against returning to work following maternity. While this is not currently a concern for us, we will continue to monitor the trend and take the appropriate action to determine if we can better accommodate new mothers should this trend persist into the future.

Employee Health, Safety and Wellbeing

Employee wellbeing is a high priority for us and necessary to the high levels of staff morale that we want to maintain. Morale is in turn linked to performance, productivity, and retention and therefore a key element in securing the sustainability of our human capital. We have put in place policies to protect employee rights, including:

Whistleblowing Policy	Anti-Harassment Policy	Grievance Procedures
Employees are protected from retribution for reporting breaches in professional conduct by any of our other staff.	The Anti-Harassment Policy restates the Group's zero-tolerance of any form of harassment against our employees and the recourses available to them.	This policy provides a step-by-step guide for employees reporting grievances and seeking redress.

We also offer our staff special privileges including preferential interest rates for housing loans, interest subsidies on housing and vehicle loans and subsidised vehicle insurance coverage as a way of expressing our gratitude to them. We also fund recreational activities for employees to foster stronger team bonds through sporting and social activities.

Lonpac identifies employee safety and wellness as among its foremost priorities in recognition of the importance of our staff to us. In practical terms, this means providing them the tools and training they need to succeed during their time with us in a safe and productive working environment. The pandemic over the last few years has underscored the importance of having proper policies in place that are enforced in the event that health and safety threats should emerge unexpectedly. We have since integrated the lessons from the COVID-19 pandemic into our workplace safety and employee wellness policies, and continued to put into practice measures such as hygiene and sanitisation requirements, crowding and mask use.

We are pleased to report that there were no work-related fatalities during the year under review as well as in 2021 and 2020, and all staff have attended fire drill training. Additional safety and health trainings, including first aid and Cardiopulmonary resuscitation ("CPR") training, fire prevention, importance of nutrition, office workout and weight management events were organised for the staff. Approximately 15% of the staff attended these trainings.

DIGITAL TRANSFORMATION

The Group continues to work on digital transformation initiatives aimed at enhancing the integration of technology into our operations, including making use of automation in our processes. We continue to make significant investments in technology infrastructure to keep pace with the rapid advancement in technological innovations to ensure that we remain competitive and are able to offer customers the highest quality of service available. The pandemic over the last few years has also revealed to us the importance of having a backup plan allowing for efficient and reliable remote work to allow for greater business continuity.

Our technology initiatives are also being driven by the demands of our stakeholders who have become increasingly technologically savvy and have greater expectations of our technological offerings. Customers, for example, are demanding greater control over their insurance portfolio over online channels, including purchasing policies and changing the terms of coverage over the internet. We have taken cognisance of their needs and have already started implementing initiatives to facilitate online management of their insurance portfolios and policies.

Meanwhile, we continue to make regular enhancements to our IT infrastructure and strengthen cyber security to better align with risk guidelines, business priorities and regulatory requirements. These are focused on the areas of:

- Systems and infrastructure upgrades.
- Operational projects that enhance capabilities.
- Security system upgrades, assessment, and monitoring.
- IT security awareness.

We have also undertaken several other initiatives to accelerate our digital transformation. Key ones are listed below.

Digitalising Processes

Lonpac continued to digitalise its processes to facilitate greater customer convenience, increase data security and improve overall workflow efficiency. Our digitalisation initiatives in 2022 include the following:

Static QR code for Payment on Renewal Notice and Invoice

A static QR code has been inserted into Invoices and Renewal Notices enabling policyholders to make online payment via FPX Online Banking or Credit Card. The inclusion of the QR code makes the payment process more convenient and more efficient.

Hospitalisation & Surgical ("H&S") Premium Statement

This function enables Lonpac's intermediaries to download statements that shows premium paid per specific H&S policy. The document is also downloadable from Lonpac ezPortal by the policyholder.

Go-Green for Intermediaries

The enhancement enables intermediaries to receive policyholders' policy documents in softcopy via email. Servicing officers can also receive policy documents issued by their intermediaries.

Online User Request (IT e-Form)

This functionality enables users to submit their requests for system enhancements and other IT-related requests electronically.

Group Health ePolicy

Enables the delivery of policy documents in softcopy to Group Health policyholders either via email or Short Message Service ("SMS").

MANAGEMENT DISCUSSION & ANALYSIS

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New Products and Development Projects

The resumption of the phased liberalisation of the general insurance industry has increased the flexibility of insurers in developing products for their customers. To make the most of the new opportunities offered by liberalisation, we have deployed our IT resources to develop new products and enhance our capabilities. Some of our projects in 2022 include the following:

Fire Consequential Loss Secure Plus	Liability
This is a new detariffed Fire product that includes Sabotage & Terrorism Coverage and allows for the Detariff Adjustment Factor discount.	This covers several new Liability products that segregates Professional Indemnity and Comprehensive General Liability in accordance with specific categories.

Business Regulatory Compliance

Our IT Department plays a major role in ensuring that we comply with new business regulatory requirements which change on a regular basis. Changes made in 2022 include:

Stamp Duty Waiver	Climate Change Reports for Fire, Miscellaneous and Engineering	QR link to promote future sustainability
Modified systems to automatically implement the stamp duty waiver on new policies and policy renewals as per stipulated conditions.	We have made necessary changes in our system to comply with BNM's new requirement to report on policies and claims related to climate change.	QR codes have been embedded in the Fire Policy Schedule for policies within certain risk occupations which link policyholders to sustainability literature as well as environmental law and acts relevant to their specific industry. This is in line with BNM's requirements as well as the Group's sustainability objectives.

BUILDING SUSTAINABLE COMMUNITIES

The Group recognises that we operate within a community of stakeholders and therefore have an obligation to contribute to the overall sustainability of the community. Furthermore, as a locally-owned and operated insurer, we have a vested interest in the overall well-being and success of local communities. The LPI Group has always been a keen investor in the future success of the next generation as we believe that a well-supported community is better able to achieve its hopes and ambitions, and over the long term create greater prosperity, sustainability, and harmony. These objectives align with our business interests, and are goals that we support and make contributions towards through our activities.

We discuss our community-focused sustainability activities through four material sustainability matters: Job Creation, Product Availability and Affordability, Social Responsibility and Supply Chain Management.

Job Creation

As one of the largest general insurance providers in the country, the LPI Group is also a significant employer and developer of insurance talent. Recognising that the insurance industry is a highly specialised subsector of the financial system, the demand for skilled practitioners extends beyond the Group but is, in actuality, a nationwide demand since Malaysia has identified the financial sector as an important area of economic growth. Moreover, with the resumption of the phased liberalisation of the insurance sector, there is now greater competition for skilled talent throughout the entire value chain of the industry.

The Group therefore takes pride as one of the main sources of insurance jobs, and continues to hire and train new talent in line with our business philosophy. Although recruitment was suspended over the last few years because of the pandemic, we have since resumed our recruitment programme and created 9 insurance jobs in 2022.

	2022	2021	2020
Staff Count	**827**	818	815

Product Availability and Affordability

The Group supports financial inclusivity as a key national development goal championed by BNM. The goal of financial inclusivity is to provide nationwide access to quality, affordable financial services, including insurance, and provide Malaysians with a means of accumulating and protecting their wealth. Financial inclusivity, along with high-income status and sustainability, is a central national development goal.

The LPI Group supports financial inclusivity as articulated in BNM's Financial Sector Blueprint 2022-2026, which targets increasing an insurance/ takaful penetration rate of between 4.8-5.0% of GDP and doubling the number of individuals subscribed to microinsurance/ microtakaful. We are mindful of this national goal and have developed a wide range of insurance products that are accessible to all Malaysians, including those from lower-income brackets who may have limited means to purchase insurance protection. The availability of these products ensures that all Malaysians will have financial protection in the event of misfortune or peril.

The Group regularly participates in government-led low-cost insurance plans and will continue to do so in the future when such plans do not overly conflict with our strategy. We have also made financial inclusivity a chief consideration 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 at a lower cost because of the savings gained by using digital channels. Once fully mature, we expect that our digital ecosystem will have the capability to provide coverage for a broader range of insurance classes at prices affordable to most Malaysians.

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SOCIAL

Social Responsibility

The Group's corporate social responsibility ("CSR") efforts are focused on building the capacities of the community around us. We are aware that we have an obligation to give back to the community which has been so instrumental in our success and our CSR reflects our appreciation of their contributions. Our CSR initiatives are divided into efforts that go towards improving the welfare of underprivileged and less fortunate, and efforts that promote good lifestyle practices such as encouraging educational and athletic achievements.

Our charitable giving is typically aimed at organisations committed to enriching the lives of those who face daily obstacles and challenges, as well as associations dedicated to youth development. We encourage our employees to participate in our CSR activities to instil in them a greater sense of empathy and to improve the community relationship with our organisation. In-person CSR activities were disrupted over the last few years due to the pandemic but have slowly started to resume. We remained cautious over the possibility of contagion in 2022 and focused most of our CSR activities on contributions of financial assistance including to the following organisations:

- Lovely Disabled Home
- Persatuan Insurans Am Malaysia to aid in flood relief
- The Malaysian Association for the Welfare of Mentally Challenged Children
- Hospis Malaysia
- Persatuan Kebajikan Sri Eden Selangor dan Kuala Lumpur
- Pertubuhan Penganut Buddha Klang dan Pantai
- Mount Miriam Cancer Hospital
- Persatuan Kanak-Kanak Istimewa Hulu Langat
- Pay Fong Middle School Melaka
- Sarawak Lawn Tennis Association

In addition, we continued to observe Earth Hour where all staff members are encouraged to go lights-out and conserve as much energy as possible for an hour on 26 March 2022. We also continued to sponsor the purchase of China Press newspapers for schools in Melaka to boost literacy and awareness among our youth.

On the side of environmental sustainability, Lonpac is collaborating with Zoo Negara Malaysia to increase biodiversity in plantations and help protect endangered tree species. The collaboration also involves building mindfulness of wildlife habitats and measures to maintain wildlife activity in the wild. Part of this collaboration involved direct participation in zoo maintenance by our staff.

Supply Chain Management

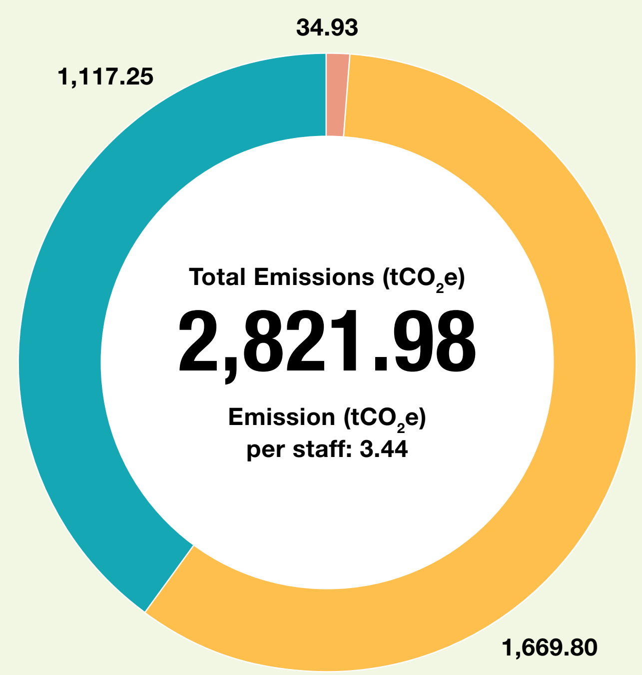
We work closely with our business partners, including agents, brokers and international financial institutions, to ensure that our insurance operations proceed smoothly and efficiently. It is imperative that our supply chain remains robust at all times so as to ensure that nothing disrupts our product and service offering to our end-user, namely our customers. To that end, we regularly review the performance of our service providers to ensure that they comply with regulatory guidelines as well as our own internal service standards. We conduct semi-annual reviews of our service providers performance at our Panel Review Committee meetings. These were successfully completed for the year under review with no issues reported.

ENVIRONMENTAL

BUILDING RESILIENCE AGAINST CLIMATE CHANGE

The consequences of climate change, particularly extreme weather events associated with climate change, have become more apparent with reports of catastrophes occurring on an increasingly regular basis. In response to this phenomenon, authorities around the world including our regulator BNM have started taking concrete steps to mitigate the impact of climate change, which in the case of Malaysia has seen BNM mandating the adoption of TCFD guidelines by financial institutions.

The Group is committed to playing a role to support the community and the country's transition into becoming a low carbon economy. In supporting this national agenda, we have identified Climate Mitigation and Resilience as a material sustainability matter and progressively formalised the reporting of our environmental impact, and the measures we have taken to mitigate it. Starting this year, we are disclosing our Scope 1, 2 and 3 emissions as defined under the Greenhouse Gas ("GHG") Protocol Standard. We will continue to enhance the coverage for Scope 3 moving forward and aim to set our GHG emissions baseline in 2023. Our measurements are detailed in the table below:



Scope 1	
Own Transport	34.93
Scope 2	
Purchased Electricity	1,669.80
Scope 3	
Employee Commuting	849.09
Business Travel	73.10
Waste Disposal	99.32
Paper Consumption	93.85
Water Consumption	1.89

Please refer to Page 57 for our approach in GHG emissions.

MANAGEMENT DISCUSSION & ANALYSIS

ENVIRONMENTAL

Additionally, we have also started disclosing our investments, including those classified as bearing high ESG risk.[9] The latter are being monitored to ensure that the risk they pose can be mitigated or are manageable over the long term. Meanwhile, we have also identified GWPs originating from these high ESG risk sectors, and we will continue to manage our exposure to these sectors to ensure that their impact will remain manageable to the Group. The following disclosure, in fulfilment of SASB FN-IN-410a.1, provides a breakdown of our total invested assets by industry, including their ESG rating. Industry ESG ratings are defined based on S&P Global ESG Risk Score.

(in thousands)

Sector	Target	2022	2021
Low ESG Risk		**224,195**	230,179
Medium ESG Risk		**2,973,376**	2,837,349
High ESG Risk		**38,832**	31,486
Percentage of High ESG Risk Sector	≤5%	**1.2%**	1.0%

In addition to monitoring our investment portfolio, we are also actively supporting the climate agenda by providing insurance coverage for projects with a climate-positive impact. These include coverage for:

- Hybrid/ Electric Vehicles
- Renewable energy projects such as solar and hydro

In fulfilment of SASB FN-IN-410b.1 and SASB FN-IN-410b.2, GWP for climate-friendly risks came in at RM 8.8 million in 2022. We plan to further accelerate the growth of this segment and are exploring incentives in the form of products and services that will encourage and help our customers transition to more environmentally friendly alternatives.

[9] Sectoral ESG risk classification as defined under the S&P Global ESG Risk Score.

SUSTAINABLE CONSUMPTION – ENERGY, WATER AND WASTE MANAGEMENT

The Group also takes proactive measures to reduce our overall emissions to play our part in helping the country reach carbon neutral status and to mitigate our impact on the environment. The last year saw us continue to implement mitigation activities to reduce our impact on the environment. We closely monitor the resources that we use and implement initiatives to transition our documentation from hard copies to digital copies to reduce paper usage. We also continued to intensify the use of electronic credit payments ("ECP") and further reduce our dependency on paper cheques. Our resource usage in 2022 can be broken down into the following:

- Electricity consumption per staff member was recorded at **3,171 kWh**
- Water consumption per staff member was recorded at **15.5 m³**
- ECP usage increased to **97.4%** in 2022 from 96.8% in 2021
- Paper consumption per document increased for the year under review to **67 grams** in year 2022 from 61 grams in year 2021
- Recycled **7 tonnes** worth of paper, plastics and electronics

We will continue to explore ways to further reduce our environmental footprint in line with the national aspiration to reach carbon neutral status by 2050.

We report our GHG emissions according to the GHG Protocol Standard. Our GHG emissions inventory includes business activities under the Group financial and operational controls.

Type		Approach	Emission Factor Reference
Scope 1	Own Transport	Covers emissions from vehicles owned by LPI Group. Emissions are calculated using fuel consumption data.	UK Government GHG Conversion Factors for Company Reporting
Scope 2	Purchased Electricity	Covers emissions generated from electricity purchased from grid. Emissions are calculated using consumption data via location-based method.	2017 CDM Electricity Baseline For Malaysia
Scope 3	Employee Commuting	Covers emissions generated by employees traveling to and from work. We conducted a survey among employees to collect information on mode of travel and distance travelled to estimate the commuting emissions for the entire workforce.	UK Government GHG Conversion Factors for Company Reporting
	Business Travel	Covers emissions generated by employee travel (land only) for work-related purposes.	UK Government GHG Conversion Factors for Company Reporting
	Waste Disposal	Covers emissions generated by waste disposal to landfill and recycling.	UK Government GHG Conversion Factors for Company Reporting
	Paper Consumption	Covers emissions generated by LPI Group's direct paper consumption.	UK Government GHG Conversion Factors for Company Reporting
	Water Consumption	Covers emissions associated with water delivered through the supply network to our office.	UK Government GHG Conversion Factors for Company Reporting

OUR STRATEGIC CONTEXT

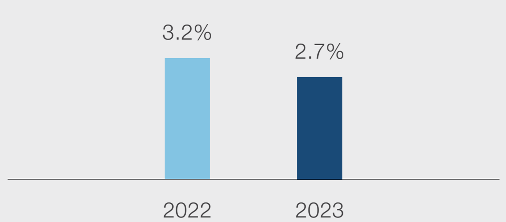
The LPI Group has become one of Malaysia's foremost general insurance providers because of its sound approach to insurance, which prioritises prudential management, moderation in underwriting risk and steady organic growth. Following several years of disruptions due to pandemic restrictions, the operating environment has started recovering to pre-pandemic levels albeit with the presence of new challenges. This section of our report discusses our current operating context and our corresponding strategic response.

MARKETS OVERVIEW

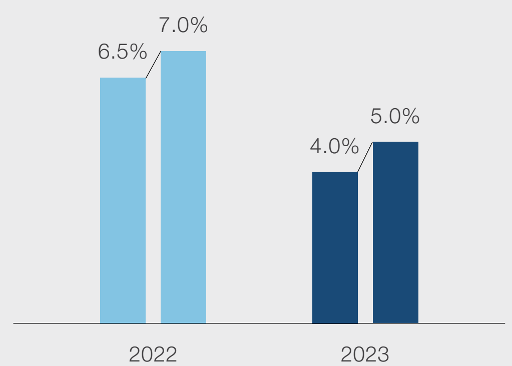
Despite the receding threat of the COVID-19 pandemic, the global economy continues to face steep challenges due mainly to three factors: persistent inflationary pressure, geopolitical tensions and the slowdown in China. The World Bank forecasted in an October report for global growth to remain unchanged in 2022 at 3.2%, although it will slow to 2.7% in 2023 with a likelihood of further drops. The Bank warns of the threat of a global recession especially should tensions in Europe continue unabated and should monetary policy decisions fail to subjugate inflation. China's decision to continue with its policy to hold regular and frequent lockdowns because of COVID-19 would also continue to disrupt supply chains, the World Bank said, which would impede global trade and activity.

The Malaysian economy is expected to fare better, according to the Ministry of Finance's 2023 Economic Outlook report. Growth in 2022 could be higher than initial estimates of 6.5-7.0% but is expected to slow to between 4.0-5.0% in 2023. This will be due mainly to softening external conditions, which will see an expected sharp drop in exports. The decline will however be cushioned by domestic demand, which will nevertheless grow at a slower pace of 5.1% in 2023 from an estimated 6.3% in 2022. Although public expenditure is expected to trend higher in 2023, it is not immediately clear which projects will be prioritised owing to the change in government which took place in November of 2022.

Forecasted Global GDP
(%)



Forecasted Malaysian GDP
(%)



Domestic demand will grow at a slower pace of

5.1%

in 2023 from an estimated 6.3% in 2022.

INDUSTRY OVERVIEW

A report on Malaysia's non-life insurance segment by insurance credit rating agency AM Best released in August 2022 said that the agency is maintaining its stable outlook. Key supporting factors include:

- Expectations that premium growth will rebound in line with Gross Domestic Product ("GDP") growth prospects
- Underwriting discipline and robust pricing expected to be maintained despite ongoing phased de-tarrification of motor and fire business
- Consolidation and regulatory push to strengthen the market

Offsetting the positives would be rising inflation and the interest rate environment which will continue to exert pressure, particularly on investment income.

The rating agency noted that it expected the Motor and Fire businesses, particularly, to drive growth following the end of pandemic restrictions. With respect to the Motor segment, the Malaysian Automotive Association said in its October 2022 report that year-to-date sales had risen 50% in 2022 compared against 2021, although it is unclear if this momentum will carry over to 2023. The property market had also similarly rebounded in 2022 as compared against 2021, although it continues to struggle with problems including a surplus of residential property.

AM Best also noted that consolidation in the general insurance sector is likely to continue as merged entities will benefit from economies of scale, and be able to achieve greater synergy through digitalisation efforts. It added that international insurance players are not likely to pare down their stakes in Malaysian insurance operators to 70% as per a Bank Negara Malaysia ("BNM") requirement, but would instead pay into a national health insurance programme known as the B40 Health Protection Fund which provides coverage for critical illnesses to the B40 segment of the population.

OUR STRATEGIC DIRECTION AND PROSPECTS

Our strategy is divided into three categories focusing on the short- or immediate-term, the medium-term and the long-term. These roughly correspond to the next 12 months, the next two to five years, and finally the years beyond that. The following provides a discussion of our strategic direction over those time frames.

The Immediate-Term

We expect challenges to continue in tandem with our transition to a post-pandemic operating environment. For the general insurance industry, this means the further normalisation of claims and managing the impact of inflation on our loss ratio. From an operational standpoint, this means reassessing asset valuations, driving efficiencies in our claims management and engaging with policyholders to review their coverage with us. We will also be making use of our partners and agents to reach out to existing policyholders, particularly Small- and Medium-Sized Enterprises ("SME"), to re-evaluate their insurance policies and determine if additional coverage is required.

At the same time, the resumption of economic activity also translates into the potential for us to expand our market through new opportunities. Growth in demand for motor vehicles and property will generate demand for Motor and Fire coverage, which have been partially detariffed due to the implementation of BNM's phased liberalisation plan. There will be additional pressure on our product development and pricing teams to develop attractive new products that nevertheless remain profitable and do not expose us to undue risk. We expect margins to be compressed owing to greater competition in the market and will focus our efforts on growing market share to offset this challenge to profitability.

The new government is expected to stimulate the economy through development projects in the country, and we will seek to compete for underwriting opportunities. The Group is prepared to tender for projects on an individual or partnership basis, depending on the size of the project. We have a good track record of working with our international partners, and will make use of the most of our partnerships for new projects if required.

Finally, we expect to focus our efforts on further integrating sustainability into our operations in compliance with the Joint Committee on Climate Change's TCFD Application Guide as well as other standards that we have identified for the Group. The growing severity of flooding events in Malaysia is a keen reminder of the need to approach sustainability issues, such as climate change, as part and parcel of our operating environment. This is particularly true in the area of risk modelling and underwriting risks in flood-prone areas.

OUR VALUE CREATION MODEL

The Medium- and Long-Term

It remains unclear how long it will take for the global economy to recover with observers generally in agreement that a global recession is looming. Similarly, there is no clear sign as to how the domestic economy will be affected in a worst-case scenario as Malaysia is a trade-dependent country. Given the opaque nature of the developments over the next few years, the Group has decided to remain conservative to ensure that our balance sheet remains sufficiently robust to meet all our financial obligations as well as regulatory requirements.

Our plan over the medium- and long-term is to continue working on the digitalisation of our processes to improve efficiency and reliability, and otherwise build the capacity of the Group. We will continue to recruit and build up our agency force to further expand our distribution channel, particularly in a fully-liberalised insurance market that will become even more competitive. Digital platforms will be further enhanced as distribution channels, and we expect to see more products and services made available online directly to our customers.

We expect to see a substantial change in our demographics and stakeholder expectations over the long-term. In addition to greater demand for technological mediation, we believe that there will be a greater call for corporates to play a bigger role in managing sustainability, particularly climate change issues. The Group expects to fully develop its sustainability framework and blueprint during this time to create an organisation where sustainability is at the heart of all our value creation activities.

OUR DIGITAL PLAN

Lonpac made progress on its plan to transform itself into a digital business to make the most of new opportunities presented by the growing use of smart technology in day-to-day life. Over the years, our online platforms have offered more products and self-service functions that give our customers greater control over their insurance coverage, and our partners and agents greater capabilities to obtain and communicate information to their clients. We expect this trend to continue for the foreseeable future.

While digitalisation is a central goal for the Group, we maintain that insurance is fundamentally a human business based on relationships of trust. While greater accessibility for customers is a step in the right direction, there remain dangers associated with this more self-reliant model of insurance. For instance, individuals who purchase insurance online may not have the guidance of an experienced adviser who can ensure that they have sufficient or the right coverage, or may not receive the highest level of post-sale service. This may in turn translate into misunderstandings, disputes, or situations where they find themselves underinsured.

To ensure that our customers receive the best level of service we can offer, we will leverage on the best of both worlds that combine the expertise of our human partners and agents with cutting-edge technology. Our digital offerings will therefore always include a human component that will ensure that our customers receive the best advice every time and make the best insurance decision that is right for them. To that end, we will not only be investing resources into our technological infrastructure but also inculcate the right mindset into our people.

Our value creation model describes our various activities that are aimed at creating value for our stakeholders. This model shows the way in which we deploy our capital inputs, the values created, stakeholders benefiting from the created values and the way in which capitals are replenished. Our main value creation activities include the following:

Provision of General Insurance Products and Services	The provision of general insurance products and services is our main business activity and is managed by our wholly-owned subsidiary Lonpac. This activity involves the use of all types of capital and aims to create values for our customers in the form of competitively priced insurance products, efficient services and reliable claims. The sale of insurance products, in turn, generates financial capital in the form of premium revenue, a portion of which is used to finance our operations, returned to customers in the form of claims payout and paid as dividends to our shareholders.
Sustaining our Human Capital	Employees, agents and partners are essential to all our value creation activities. Ensuring a sustainable pool of skilled and experienced human capital is therefore an extremely high priority for us. We particularly value experienced and skilled partners with good technical underwriting skills and those with strong customer support. In building this pool, the Group invests substantial resources into training, recruitment and retention.
Investment in Research and Development ("R&D") and Infrastructure	R&D and Infrastructure are forms of intellectual and manufactured capital respectively that we deploy to develop new insurance products and services. Investments into R&D ensure that we remain relevant to customer needs, and that our products are profitable and competitive with the market environment. This is particularly important under the new detariffed regime where insurers need to rely on innovation and strong underlying underwriting to protect profitability. Meanwhile, our infrastructure, both physical and digital, supports our activities by giving us a base of operations and the means to efficiently carry out transactions. Development of our digital infrastructure is especially important as part of our overall digital transformation plan.
Engagement with our Associations and Community Stakeholders	As a public entity, the Group depends on public approbation for our social licence to operate. This is the relationship capital that we generate through positive interactions with the community, as well as in the fair and efficient execution of our business activities. There is also an educational component in our activities where we play a role in raising the financial literacy within the community at large. We are also active participants in trade associations such as PIAM, which enables the exchange of views and ideas with the larger insurance industry.
Engagement with Legal Entities	We operate in a highly regulated industry that is overseen by various regulators including Bank Negara Malaysia, Bursa Malaysia and the Securities Commission Malaysia. As developments in the regulatory regime may have substantial impact on our operations, we work proactively to build relationships and participate in steering developments within the regulatory framework.
Taking part in climate action	The insurance industry, as a necessary and important participant in most economic and industrial activities, as well as a significant investor can play an important role in helping bend the emissions curve towards a net zero future. While insurance activities by themselves are not significant carbon emitters, there are steps that insurers can take to encourage industry and corporates to become more carbon aware. Choosing sustainable assets for our investment portfolio is also another way in which we can indirectly support climate action.

OUR VALUE CREATION MODEL

OUR VALUE CREATION MODEL

The following table provides an overview of our value creation flow and the outcomes created.

INPUTS	DESCRIPTION	REPLENISHED VIA...	VALUE CREATION ACTIVITY	OUTCOMES
FC **FINANCIAL CAPITAL**	Funds generated from insurance operations, investments and borrowings	• Revenue generated from the sale of insurance products and services • Returns from investment	• Payment of salaries, wages and other forms of remuneration • Developing innovative insurance products and services • Payment of legitimate insurance claims • Payment of dividends to shareholders • Funding community activities and environmental programmes as part of our CSR programme	FC • Creating a skilled and experience pool of human capital in our operations • Providing better and more affordable insurance coverage to the general public and improve the social capital • Fulfilling our commitment to provide financial assurance to our customers • Fulfilling our commitment to create financial value for our investors • Creating a better society and ecosystem for all
MC **MANUFACTURED CAPITAL**	Physical, material, and technological infrastructure used in the provision and production of insurance products and services	• Investments into our technology and physical infrastructure • Developing new channels for our insurance operations	• Providing a base of operations for the everyday running of all our activities • Supporting online transactions and communication between our staff, agents, intermediaries and customers • Supporting the everyday running of our operations by providing all necessary technology and automation involved	MC • A safe and reliable workplace where our stakeholders can work, meet, and carry out activities • Flexible yet conducive operating systems to maintain and enhance the relationship capital • The efficient undertaking of all our operations to achieve the economics of scale to contribute to the financial capital
IC **INTELLECTUAL CAPITAL**	Intellectual know-how used for the research and development of new insurance products and services	• Investments into research and development	• Development of insurance products and services • Identifying risks and opportunities to steer business strategy and direction	IC • Diversifying our products and services while creating new revenue streams • Ensuring that our organisation remains competitive by helping us be selective about risk and pricing accurately to remain profitable
HC **HUMAN CAPITAL**	Manpower utilised in our insurance operations including our staff and distributional channel, in particular agents	• Recruitment and training of new personnel and agents via our hiring and training programmes	• Personnel necessary for the undertaking of all our operations including the development, sales and promotion of insurance products and services • Regular training and development of our personnel	HC • Secure the continuity of our business operations, achieve the economics of scale and to support our value creation activities • Creating a cohort of skilled insurance practitioners for the wider job market
SC **SOCIAL CAPITAL**	Relationships of trust with our stakeholders Social license to operate within the larger community	• Regular meetings with our stakeholder groups • Transparent disclosure of our activities	• Create open, bi-directional communication channels with our regulators and industry partners • Provide stakeholders with a clear overview of our operations to inform their decisions, e.g. investment decisions, to seek insurance coverage with us, the status of their claims • Investment into social welfare through our CSR programme	SC • Giving us a voice in steering the development of the general insurance industry for the benefit of greater society • Establishing new relationships and strengthening existing ones with our stakeholders • Strengthening the resilience of community groups by providing them with the resources they need to carry out their mandates
NC **NATURAL CAPITAL**	Natural inputs that support and enable all our activities	• Our activities that support climate action • Our activities that seek to reduce our environmental footprint	• Support climate action to help reduce overall emissions and contributing towards a more sustainable environment • Directly reduce the overall impact of our operations on the environment	NC • Enhancements to sustainability reporting and integrations of sustainability-focused elements into our value creation activities by facilitating our customers in their transition into low carbon economy • Managing our resource usage to reduce our impact on the environment to support the national agenda in achieving the net zero target

UNDERSTANDING OUR RISKS

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. 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 limits. Regular monitoring and reporting of risks enable continuous review and prompt management actions to be taken.

Independent and Governance Departments	Compliance	Enterprise Risk Management & Sustainability	Information Security	Internal Audit

Support Departments

1. Administration
2. Actuarial
3. Branches Strategic Performance
4. Claims
5. Employees Development
6. Employment Management
7. Employees Welfare
8. Finance
9. Information Technology
10. Legal
11. Pricing
12. Product Development
13. Secretariat
14. Underwriting

Distribution Channels

1. Agency
2. Branch
3. Broking
4. Customer Service
5. Digital Business
6. Financial Institution
7. Fubon Department
8. Global Partnership
9. Trade Credit

RISK TYPE	MITIGATION EFFORTS	
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. • Independent assessment on financial security of the counterparties before entering into an agreement.	• Close monitoring of the financial security of the panel of reinsurers. • Hold harmless agreement to be signed by the captive insurers. • Ensuring sufficient liquidity is maintained so that sufficient funding is available to meet our insurance contract and other obligations. • Set up of contingency funding plans. • Cash call from reinsurers to be instituted on major claims.
STRATEGIC RISKS Risk arises from underlying strategies that turns out to be a poor business strategy decision.	• Product Development Department to oversee the design and implementation of new products. • Pricing Department to ensure insurance premium is reasonable by comparing the premiums with other market players. • Comprehensive research is performed before the launch of new products with frequent monitoring of new business production profit performance. • Annual review of reinsurance arrangements.	• The Information Technology Steering Committee ensures the effective planning and direction of Information Technology ("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. • Sustainability Council and Sustainability Committee to oversee the design and implementation of sustainability matters.
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. • Balance of portfolio to ensure spread of risk. • Annual independent review of product pricing.	• Annual review of underwriting guidelines. • Regular monitoring of claims experience. • Stress-testing to identify potential threats due to exceptional but adverse plausible events.
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. • Independent third-party security assessments are conducted to ensure the Group's systems and data are protected.	• The external operating environment is monitored closely and the Business Resumption Continuity Plan is reviewed periodically. • Regular review of remuneration policy to ensure the employee are treated fairly. • Work from home arrangement with Virtual Private Network facilities for employees, to ensure continuity of operations during pandemic, while maintaining the data confidentiality. • E-policy documents to reduce the carbon footprints.
LEGAL AND COMPLIANCE RISKS Risk arising from a breach of the applicable laws and regulations.	• The Board and Management are responsible to promote a strong compliance culture. • The Compliance Committee assists and supports the Board in the discharge of the Board's duties and responsibilities. • The Board and Compliance Committee have established a written Compliance policy in managing Lonpac's compliance risks.	• The Board and Compliance Committee have also established a written Compliance Management Framework which identifies the duties and responsibilities of each staff to comply with legal and regulatory requirement imposed by governmental bodies, regulators, internal policies and procedures.

LINK TO STRATEGY

We set our strategy to thrive in the medium and long-term. We are committed to maintaining a strong capital adequacy level, in order to maintain the ability to meet the obligations to policyholders at all times.

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 and policyholders.

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. Diversified distributional channels with 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.

OUR BOARD DIVERSITY

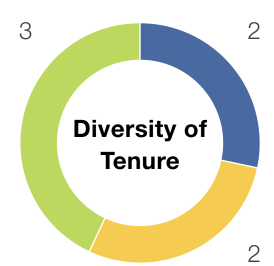
Mr. Tee Choon Yeow
Independent Non-Executive Chairman
(Re-designated as Independent Non-Executive Chairman effective from 19 January 2023)

Mr. Tan Kok Guan
Chief Executive Officer/ Executive Director

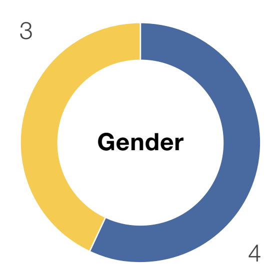
BOARD DIVERSITY

All aspects of diversity, including gender are considered at every level of recruitment. All appointments to the Board are made on merit. The Board's policy ensures that the Board seeks a composition with the right balance of skills and diversity to meet the demands of the business. The Company meets the 30% recommended minimum proportion of women on the Board.

■ Non-Independent Non-Executive Director ■ Independent Non-Executive Director ■ Executive Director



■ 1 - 5 years ■ 6 - 10 years ■ > 10 years



■ Male ■ Female

POLICY ON MAXIMUM TENURE FOR INDEPENDENT DIRECTORS

The tenure of an Independent Non-Executive Director (INED) shall not exceed 9 years from the date of first appointment as a Director. Upon reaching such maximum tenure, the INED shall remain as a Director but will be re-designated as Non-Independent Non-Executive Director.

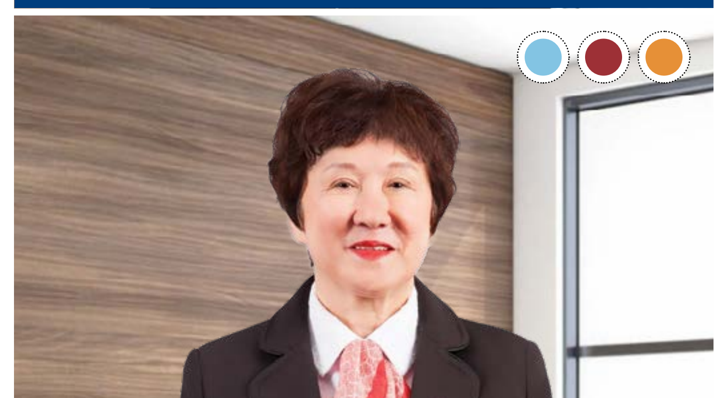
Board Committees
☐ Chairman
◌ Member
● Audit Committee
● Nomination and Remuneration Committee
● Risk, Compliance and Sustainability Committee

Mr. Lee Chin Guan
Independent Non-Executive Director

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

Ms. Chan Kwai Hoe
Independent Non-Executive Director

Ms. Soo Chow Lai
Independent Non-Executive Director



Dato' Chia Lee Kee
Independent Non-Executive Director

BOARD SKILLS MATRIX AND EXPERIENCE

- **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

Mr. Tee Choon Yeow

70 M

Independent Non-Executive Chairman

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

Mr. Tee Choon Yeow, aged 70, male, was appointed to the Board of the Company on 29 October 1991 and re-designated as Chairman of the Company on 19 January 2023. 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 Risk, Compliance and Sustainability Committee 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. Mr. Tee was re-designated as Independent Non-Executive Chairman of the Company with effect from 19 January 2023.

BOARD ATTENDANCE IN THE FY2022: 6/6

Mr. Tan Kok Guan

66 M

Chief Executive Officer/ Executive Director

Chartered Insurer

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

Mr. Tan Kok Guan, aged 66, 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.

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 IN THE FY2022: 6/6

Mr. Lee Chin Guan

64 M

Independent Non-Executive Director

B.Sc. (Hons); BCL (Oxon); LLM (Cantab);

JD (Chicago-Kent); Barrister-at-Law (Middle Temple)

Mr. Lee Chin Guan, aged 64, 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 the Nomination and Remuneration Committee and a member of the Risk, Compliance and Sustainability Committee 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 has 25 years of experience in legal matters, with 13 years of experience in legal practice, principally in commercial and corporate matters.

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 IN THE FY2022: 6/6

Mr. Quah Poh Keat

70 M

Non-Independent Non-Executive Director

FCCA (UK); CA (M'sia); CPA (M'sia);

ACMA (UK); Fellow MIT (M'sia)

Mr. Quah Poh Keat, aged 70, 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 Risk, Compliance and Sustainability Committee 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 Finance 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 IN THE FY2022: 5/6

WHO GOVERNS US

Ms. Chan Kwai Hoe

66 F

Independent Non-Executive Director

BEc (Hons) Analytical Econs

Ms. Chan Kwai Hoe, aged 66, 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 Committee, the Nomination and Remuneration Committee and the Risk, Compliance and Sustainability Committee of the Company.

QUALIFICATIONS

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

EXPERIENCE

Ms. Chan had 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 IN THE FY2022: 6/6

Ms. Soo Chow Lai

70 F

Independent Non-Executive Director

BA Econs (Hons)

Ms. Soo Chow Lai, aged 70, female, was appointed to the Board of the Company on 1 August 2018. Presently, Ms. Soo serves as a member of the Audit Committee, the Risk, Compliance and Sustainability Committee and the Nomination and Remuneration Committee 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. Ms. Soo had travelled widely for business development both locally and internationally and was involved in major policy decisions of the two companies she served in.

BOARD ATTENDANCE IN THE FY2022: 6/6

Dato' Chia Lee Kee

69 F

Independent Non-Executive Director

FCIS (CS) (CGP)

Dato' Chia Lee Kee, aged 69, female, was appointed to the Board of the Company on 18 January 2021. Presently, Dato' Chia serves as a member of the Audit Committee, the Risk, Compliance and Sustainability Committee and the Nomination and Remuneration Committee of the Company.

QUALIFICATIONS

Dato' Chia is a Chartered Secretary and a Chartered Governance Professional; she 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.

BOARD ATTENDANCE IN THE FY2022: 6/6

Ms. Kong Thian Mee

53 F

Company Secretary

FCIS (CS) (CGP)

Ms. Kong Thian Mee, female, aged 53, 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.

QUALIFICATIONS

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

EXPERIENCE

Ms. Kong has 30 years experience in Secretariat and Human Resource. Presently, she oversees Secretariat, Human Resource and Employees Development matters. She is also the Company Secretary of an associate company, Campu Lonpac Insurance Plc.

NONE OF THE DIRECTORS HAS:

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

All the Directors are Malaysians.

WHO LEADS US
KEY GROUP MANAGEMENT

WHO LEADS US
KEY GROUP MANAGEMENT

Tan Kok Guan
Chief Executive Officer/ Executive Director
(*LPI Capital Bhd*)

66 M

Please refer to Page 68 for the profile of Chief Executive Officer/ Executive Director (LPI Capital Bhd).

Looi Kong Meng
Chief Executive Officer/ Executive Director
(*Lonpac Insurance Bhd*)

63 M

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. He was promoted to Chief Executive Officer in 2013 and 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*)

60 M

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.

Yow Kai Fook
Chief Operating Officer – Business Operations
(*Lonpac Insurance Bhd*)

61 M

WORKING EXPERIENCE

Mr. Yow Kai Fook, was appointed to the senior management position upon his promotion to Chief Operating Officer – Business Operations on 1 January 2022. He has more than 30 years of experience in the general insurance industry.

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

Mr. Yow is a holder of a Bachelor's Degree in Chemical Engineering from McGill University, Montreal, Canada.

None of The Key Group 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
GROUP MANAGEMENT

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

BUSINESS OPERATIONS

Raymond Tan Soo Boon
Chartered Insurer, B.A. (Econs.) (Hons), ACII, AMII
Senior General Manager – Distribution

Sia Meu Ing
B.A. (Business Administration) (Hons.)
Deputy General Manager – Agency

Yap Chee Kiat
ANZIIF (Snr. Assoc.)
Assistant General Manager – Distribution

Chia You Hwang
M. Econs, B.B.A., ACII, AMII
Director – Broking

Janice Lee Leng Leng
B.A. (Business Entrepreneurship)
Assistant General Manager – Global Partnership

Ernie Bak Hock Liang
B. Econs.
Director – Digital Business

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

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

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

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

Chin Choy Li
ANZIIF (Snr. Assoc.), AMII, B. Econs.
Director – Reinsurance

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

Kevin Wong Vui Khong
B. Sc. (Applied Maths.)
Director – Trade Credit

Alvin Lim Jun Sum
B.A. (Actuarial Sc.)
Manager – Product Development

Lee Wai Khong
B. Sc. (Actuarial & Financial Maths.)
Manager – Pricing

FOREIGN BRANCH

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

INTERNAL AUDIT

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

CONTROL

Mahinder Kaur a/p Kapal Singh
Certificate in Compliance & Anti-Corruption Compliance (Basel Institute on Governance)
Chief Compliance Officer

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

Lee Chiew Lai
B. Sc. (Actuarial & Financial Maths.)
Chief Risk 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. Sc. (Comp. Sc.)
Chief Information Officer

Shanice Goh Ooi Yean
Chartered Secretary and Chartered Governance Professional ACIS (CS) (CGP)
Senior Manager – Secretariat

Tung Chee Lim[1]
B. Sc. (Actuarial Science), FCAS, FASM
Appointed Actuary

Lim Wai Cheng
CAHRI, Dip (Bus. Admin)
Senior Manager – Human Resource

Chew Han Wah[2]
B. Com. (Hons.), FIAA, FASM
Appointed Actuary

Fong Pei Wei
B. Communication (Hons.)
Manager – Employees Development

Katherine Ooi Seok Peng
Dip (Executive Secretaryship)
Manager – Administration

[1] Appointed with effect from 15 February 2023
[2] Resigned with effect from 18 January 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT

COMMITTED TO RESPONSIBLE, EFFECTIVE GOVERNANCE

This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report 2022, which is available on our corporate website at www.lpicapital.com.

BOARD ACTIVITIES DURING THE YEAR

In addition to its regular business, specific topics considered by the Board of Directors ("Board") of the Group at their meetings this year, included:

Sustainability

- Enhancement of the group-wide sustainability framework to provide detailed guidance on sustainability related matters within the Group.
- Revision of group-wide remuneration policy to consider the performance of Board and the Management in managing the material sustainability risks and opportunities.
- Received updates on the Group's strategy on climate related financial risk in line with regulatory requirements.

Governance, Risk & Compliance

- Introduced Liquidity Risk Management Plan to further strengthening the liquidity position of the Company.
- Strengthening on underwriting of flood coverages in flood prone area, while promoting the importance of flood coverages to the customers.
- Periodic review of governance frameworks to ensure the Group stays relevance to current requirements and challenges.
- Discussed reports from Board Committees:
  - Received reports on corporate governance, legal and compliance matters.
  - Received and discussed reports from the risk team.
- Approved the Group's risk appetite, risk tolerances and risk policies which make up the risk management framework for the Group.
- Reviewed the effectiveness, challenges and management action plans in relation to the Group's risk and control environment.

People & Culture

- Undertook an internal evaluation of the Board's effectiveness, and the effectiveness of each committee and of individual directors.
- Reviewed the provision of extensive support for our people through the periods of COVID-19 restrictions, focusing on wellbeing, mental health support, and practical assistance for working from home.

Financial

- Discussed reports provided by the Chief Financial Officer ("CFO") on financial reporting and performance, providing the opportunity for the Board to input and challenge where necessary.
- Approved the Group's financial and operational plans for 2022:
  - Approved investment in the business.
- Monitored the Group's financial performance and financial results and approved the dividend payments to ordinary shareholders.
- Assessed the Group's capital and liquidity requirements and considered the challenges presented to the Group's markets by the COVID-19 pandemic.
- Approved the Quarterly results, Financial results and Integrated Annual Report.

Performance & Strategy

- Closely monitoring performance of the Group, constant review and re-align business strategies to meet new challenges in the pandemic period.
- Continue to practice prudent underwriting and claims policies in order to sustain profitability in this economic turbulent period.
- Held a dedicated strategy discussion in December 2022, supplemented by further specific strategy sessions, to oversee the development and implementation of the Group's strategy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") DURING 2022

Throughout the year, the Board of LPI Capital Bhd ("LPI") paid particular attention to the continued evolution of the Group's ESG strategy, including the strategy's overall structure and framework, the way it aligns to the areas of greatest opportunity and challenge as a business, and the way it communicates its tenets to all our stakeholders in a clear and impactful way. During 2022, the Board worked closely with the Management to develop the Group's ESG narrative. LPI's overall purpose and mission has ESG firmly set at its heart and communicating this message clearly to investors and wider stakeholder groups should be the overriding aim.

BOARD AND COMMITTEES EFFECTIVENESS

The Board is cognisant that changes in strategy, personnel and the external environment may need to drive changes in the way that we operate in order to maximise our effectiveness. We therefore recognise the benefits of regularly evaluating our own effectiveness and that of our Committees (at least annually) so that we can take any actions necessary to ensure that we continue to perform effectively. In line with the Malaysian Code on Corporate Governance 2021 ("MCCG"), an external evaluation is undertaken at least once every three years. The last external review was completed in 2021.

In 2022, the Board has put in place an annual performance evaluation process and delegated the authority to the Nomination & Remuneration Committee ("NRC") to assess the effectiveness of the Board and Board Committees, the performance of individual Directors as well as each Audit Committee member, based on the assessment factors stated in the Company's internal policies approved by the Board.

The NRC has developed the following assessment criteria for the assessment of the independence of the independent Directors as per:

Bursa Malaysia Securities Berhad's Main Market Listing Requirement	The Board Charter

THE BOARD AND COMMITTEES EFFECTIVENESS PROCESS

1	2	3	4
Each Director to complete a comprehensive Board Evaluation Exercise ("BEE") questionnaire via BEE portal.	Summary of the assessment report generated by the BEE portal be forwarded to the NRC for annual assessment.	The NRC to review : • Summary of the BEE assessment report which included assessment on individual Directors, Board and Board Committees, Fit and Proper assessment and independence assessment on Independent Directors. • Assessment on the Board as a whole and each Board Committee by benchmarking the activities carried out by the Board and respective Board Committee against the Board Charter and the terms of reference of each Board Committee.	The NRC to collate the results of the assessments and submit to the Board for deliberation and approval.

Board Evaluation Results for FY2022

Efficacy of the Board Chairman Board Chairman possesses strong leadership qualities, facilitating robust discussions and healthy debate among strong-minded Directors of the Board. The Chairman allows all views – even contrarian ones – to be freely expressed, discussed, and recorded without any "no-go areas".	**Boardroom Commitment and Proactivity** The Board has a collective sense of accountability and respect to serve the Company's best interest with the best intentions. Directors are committed to driving the Company forward and have gone above and beyond expectations in fulfilling their duties.
Boardroom Configuration and Composition The Board has the right balance of skills, experience, and expertise necessary to meet the Company's objectives. There is a strong presence of Independent Directors and an appropriate balance of Non-Independent Directors and Executive Directors that allows for cognitive variety in the decision-making process. The Board also engenders a healthy diversity in terms of legal, accounting, banking and finance, compliance, information technology and the domain industry of Lonpac which is insurance.	**Boardroom Collegiality** Boardroom dynamics at the Company are distinguished by a monolith of professionalism, candour and collegiality. Everyone in the boardroom is given an equal opportunity to voice their views and ideas, engendering mutual trust and respect. **Strategy Setting** The Board plays a monumental role in strategy formation and implementation. The Board adopts the right touch by partnering with Management when it comes to strategic aspirations and direction of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

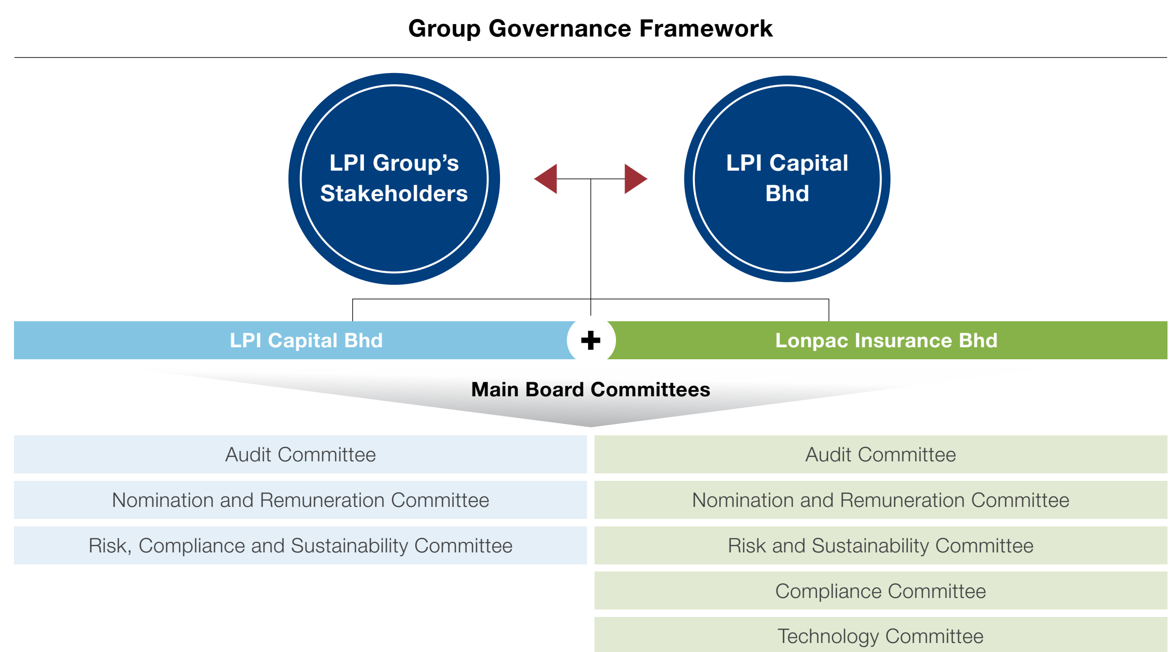
A LEADERSHIP AND EFFECTIVENESS

GROUP GOVERNANCE FRAMEWORK

We discharge some of our responsibilities through delegation to Board Committees. The Board Committees bring an increased focus on key areas and explore them more deeply, thereby gaining a greater understanding of the detail.

Any delegation of authorities to Board Committees is formally documented in writing through Terms of Reference, while the Board maintains a schedule of key matters which are reserved for its decision. Furthermore, there is a clear division of responsibilities between the Chairman and the Chief Executive Officer ("CEO"). The execution of the strategy and the day-to-day management of the Group and operational matters are delegated to the CEO.

The Group's governance structure continues to evolve with a consistent framework being embedded and the further development of roles participating in the Management team. This structure maximises the opportunity for all parts of the business to have clarity on their goals and successfully execute on divisional and Group strategic plans.



UNDERLYING FRAMEWORK FOUNDATION

VALUES

CODE OF ETHICS AND CONDUCT

STRATEGY

VARIOUS CHARTERS & POLICIES

GOOD GOVERNANCE GUIDELINES

Governance of Sustainability

The Board believes that sustainable business practices are essential to the creation of long-term value, and that running our business in a responsible manner is intrinsically tied to achieving operational excellence; accordingly, the Board exercises oversight over the Company's performance with respect to Environmental, Social and Governance ("ESG") factors as a part of our duty to directly oversee LPI Group's corporate strategy. It is not just the Board, however, that is involved with governance with respect to sustainability and corporate responsibility – individual employees also play a role by upholding our corporate values and by implementing environmentally and socially responsible corporate practices as an integral part of our corporate strategy.

As fiduciary to our shareholders, our Board is focused on maintaining exemplary corporate governance practices, which include a commitment to ethics, integrity and corporate responsibility; this focus also ensures that our corporate strategy aligns with our values and culture. The Board takes guidance on material sustainable issues from the Enterprise Risk Management & Sustainability Department, whose key role is to manage the Group's sustainability practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A LEADERSHIP AND EFFECTIVENESS

AN EFFECTIVE BOARD

The Board is collectively responsible for promoting the long-term success of the Group and is accountable to shareholders for the creation of sustainable value and to other stakeholders for the wider impact that we have. The Board has overall responsibility for leading the Group and are the decision-making body for matters which are significant to the Group as a whole (in particular strategic and financial matters, and those which could have a material reputational impact). Our ability to meet our responsibilities is underpinned by having in place a balanced and effective Board which brings together a wide range of skills and expertise, and our governance framework which enables effective decision-making within a structure of clear accountabilities.

Matters Reserved for the Board

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

COMPOSITION OF THE BOARD

The Nomination and Remuneration Committee is responsible for reviewing the Board Composition and makes recommendations to the Board on the appointment of Directors. There are presently five Independent Non-Executive Directors on the Board. The Company complies with the MCCG and listing requirements in that at least half of the Board is comprised of Independent Non-Executive Directors.

All of the Non-Executive Directors ("NEDs") bring considerable knowledge, judgement, and experience to Board deliberations. The NEDs are encouraged to communicate directly with Executive Director between formal Board meetings. The NEDs meet at least once a year without the Executive Director being present.

The NEDs scrutinise the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. They are required to satisfy themselves on the integrity of the financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration for Executive Director and have a prime role in appointing and, where necessary, removing Executive Director, and in succession planning.

Name	Date of Appointment	Attendance Record in 2022			
		BOARD	AC	NRC	RCSC
THE LATE TAN SRI DATO' SRI DR. TEH HONG PIOW *Non-Independent Non-Executive Chairman* *(Demised on 12 December 2022)*	27 September 1971	5/6	N/A	N/A	N/A
MR. TEE CHOON YEOW *Independent Non-Executive Co-Chairman* *(Re-designated as Independent Non-Executive Chairman effective from 19 January 2023)*	29 October 1991	6/6	4/4	4/4	3/3
MR. TAN KOK GUAN *Chief Executive Officer/Executive Director*	29 October 1996	6/6	N/A	N/A	N/A
MR. LEE CHIN GUAN *Independent Non-Executive Director*	8 October 2015	6/6	4/4	4/4	3/3
MR. QUAH POH KEAT *Non-Independent Non-Executive Director*	2 January 2009	5/6	N/A	N/A	3/3
MS. CHAN KWAI HOE *Independent Non-Executive Director*	1 July 2015	6/6	4/4	4/4	3/3
MS. SOO CHOW LAI *Independent Non-Executive Director*	1 August 2018	6/6	4/4	N/A	3/3
DATO' CHIA LEE KEE *Independent Non-Executive Director*	18 January 2021	6/6	4/4	N/A	3/3

Audit Committee · Nomination and Remuneration Committee · Risk, Compliance and Sustainability Committee · Chairman

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A LEADERSHIP AND EFFECTIVENESS

STRATEGIC PLANNING AND DECISION MAKING

The Board spends considerable time in assessing whether any proposed action aligns with the strategy and future direction of the business, while taking into consideration sustainability and impact on our stakeholders. In addition, the Board holds strategy discussions annually, whether in relation to the specific strategies of LPI's business divisions or the vision and wider strategy of the Company as a whole, both of which enhance the Board's decision-making in shaping the Company's strategic and financial plans.

The Board and Board Committees receive timely, regular and necessary financial, management and other information to fulfil their duties. Comprehensive papers are circulated to the Board and Board Committees members 5 market days in advance of each meeting.

The Board receives a regular performance dashboard and key milestones report, together with updates from the Chief Executive Officer and Chief Financial Officer. In addition to meeting papers, a library of current and historical corporate information is made available to Directors to support the Board's decision-making process. For items that require significant consideration and review in advance of a decision, the Board's discussions can take place over a number of sessions.

The Board held 5 scheduled meetings and 1 ad-hoc meeting in 2022, with discussions and debates involving the Group's operations and key strategic issues facing the business, as well as other key strategic issues facing by the Company. Major items covered by the Board in 2022 are shown on Page 75. In addition to its scheduled meetings, the Board convenes as necessary to consider matters of a time-sensitive nature.

Reflecting on the level and quality of engagement by the Board in 2022, the Board is satisfied that each Director contributed to Board discussions and demonstrated sufficient commitment to be able to meet their responsibilities. As shown in the table on Page 79, each of the Non-Executive Directors attended all scheduled meetings during 2022.

BOARD DIVERSITY

Within the Group's businesses, the Board is committed to greater diversity in its broadest sense, whether in terms of ideas, skills, knowledge, experience, education, gender and social backgrounds, cognitive and personal strengths, or any other relevant measure.

When considering director appointments, one of the objectives is to maintain a diverse Board. While the Board will continue to follow a policy of ensuring that the best people are appointed for the relevant roles, based on merit by assessing candidates against objective criteria, the directors recognise the benefits of greater diversity and will take account of this when considering any particular appointment. However, the primary responsibility when making new appointments is to ensure the strength of the Board's composition. The overriding aim is to select and recommend the best candidate for the position, having regard to all of the different stakeholders that LPI has, while ensuring that the Board members are able to provide a range of perspectives, insights and challenge required to support effective decision making.

Looking beyond the Board to the Group's wider workforce, LPI is committed to treating people fairly and equally by accepting and embracing their diversity and ensuring there is an inclusive and positive working environment for all employees.

Monitoring and reporting

The Nomination and Remuneration Committee is responsible for regularly reviewing the structure, size and composition of the Board, including the skills, knowledge, experience and diversity of the directors. It is also responsible for identifying and nominating appropriate individuals to fill Board vacancies as they arise. The Committee will report annually, in the Company's Integrated Annual Report, on the process followed in relation to any Board appointments made during the relevant period.

2022

Summary of CG Areas Undertaken in 2022	
STRATEGY	• Built a sustainable, profitable and balanced portfolio of business through our existing channels/ partners and exploring non-traditional channels. • Hastened the digital transformation plans to improve efficiency, productivity and developing business from e-channel without direct conflict with our traditional channels. • Developed capabilities of our staff and also our agents through training target and recruitment programmes. • Fine-tuned and stream-lined our operational capabilities for any future disruptive events.
FINANCIAL	• Ensured Lonpac is well prepared and the progress is on track for the implementation of MFRS 17, Insurance Contracts in Year 2023. • Ensured the Group is able to generate optimum investment returns in the current low interest rate environment with tolerable risks. • Continued to strengthen its capital position and generate good returns to its shareholders.
RISK MANAGEMENT & INTERNAL CONTROL	• Ensured all material risks of the Group are managed appropriately through continuous monitoring and reporting process. • Strengthened anti-bribery practices through continuous trainings and monitoring of the Group's activities. • Strengthened data privacy and protection. • Ensured the Group maintained sufficient capital to support the long-term business growth. • Strengthened the underwriting acceptance on flood coverage.
GOVERNANCE, LEADERSHIP & PEOPLE	• At a macro level: (i) Continuously indoctrinated good ethical business practices among directors, employees, service providers and other business partners. (ii) Upheld highest standard of integrity and accountability in discharging our duties, whilst ensuring all activities, offers or services are conducted in compliance with Anti-Bribery and Corruption ("ABC") Policy and all other applicable legal and regulatory requirements on anti-bribery and anti-corruption. • At a micro level: (i) Periodically reviewed 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) Monitored regular risk assessments (via Enterprise Risk Management & Sustainability Department) to identify the bribery and corruption risks potentially affecting the Group. (iii) Ensured all employees are aware and familiar with the ABC Policy and the consequences of non-compliance (conducted trainings). • Upskilled employees with trainings related to their job scope to stay relevant in the changing business landscape. One of the focus areas is for management team to gain knowledge on how the Group can embrace sustainability in governance, management and reporting. • Soft skills trainings were also rolled out to improve communication at the workplace and to foster better relationships amongst the employees. • Upskilled eligible employees by providing them scholarships to obtain professional qualifications.
BOARD EVALUATION PROCESS	• Ensured all directors participated in the Board evaluation process via BEE for the assessments on: (i) Directors' self and peer review (ii) Board as a whole (iii) Board Committees (iv) Independent Directors (v) Fit and Proper (vi) Board skill matrix

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A LEADERSHIP AND EFFECTIVENESS

FOCUS AREAS 2023 – 2026 STRATEGIC CG FOCUS AREAS

2023 - 2024

- The Group to enhance the coverage for Scope 3 Greenhouse Gas ("GHG") emissions and to set the GHG emissions baseline in year 2023.
- The Group to work towards the requirements under the Bursa Malaysia's Enhanced Sustainability Disclosures.
- The Group to adopt the recommendations stated in The Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide For Malaysian Financial Institutions by Joint Committee on Climate Change.

2025 - 2026

The Group would further enhance on the diversity policy for both the Board and the Management.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee ("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 NEDs met the requisite fit and proper requirements which include the criteria for independence. This assertion, however, excludes the late Chairman of the Board, the late Tan Sri Dato' Sri Dr. Teh Hong Piow who had 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 CEO/ Executive Director.

The late Chairman of the Board was therefore not independent. The Board considered the governance deviation in the appointment of the Board Chairman but agreed that the late 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 had appointed a Senior Independent Director, Mr. Tee Choon Yeow who served as a sounding Board for the late Chairman and as an intermediary between the late Chairman and other members of the Board, as and when necessary. Mr. Tee Choon Yeow was subsequesntly re-designated as Chairman of the Board following the demise of the late Tan Sri Dato' Sri Dr. Teh Hong Piow and no longer hold the position of Senior Independent Director.

NRC ACTIVITIES IN YEAR 2022

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 satisfy 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 satisfy that the Board is optimum and that there is appropriate mix of diversity (including 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, CEO/ Executive Director to ensure that they fulfilled fit and proper requirements as stated in the Company's Fit and Proper Policy for Key Responsible Persons and Company Secretary.
- Perform annual assessment on Company Secretary to ensure that she fulfilled requirements as stated in the Company's Fit and Proper Policy for Key Responsible Persons and Company Secretary.
- Conduct annual assessment on Independent Directors.
- 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 for reappointment in year 2023.
- Review and recommend the renewal of employment contract of the CEO/ Executive Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A LEADERSHIP AND EFFECTIVENESS

- Review and recommend the proposed remuneration for Directors, CEO/ Executive Director, Management who are Key Responsible Persons and Company Secretary to the Board for approval.
- Review Directors' Development Plan.
- Review the Fit and Proper Policy for Key Responsible Persons and Company Secretary and recommend to the Board for approval.
- Review the Key Performance Indicators of the Key Responsible Persons and recommend to the Board for approval.
- Review Board Competency Matrix and recommend to the Board for approval.
- Review the Group Directors Remuneration Policy and Procedures and recommend to the Board for approval.
- Review the Group Employees Remuneration Policy and recommend to the Board for approval.
- Review the assessment report of Board Evaluation Exercise 2022 on the assessment of the full Board, Board Committees, individual Directors and Independent Directors.

NRC PRIORITIES FOR 2023

- 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, CEO/ Executive Director, Management who are Key Responsible Persons and Company Secretary to ensure that they fulfilled fit and proper requirements as stated in the Fit and Proper Policy for Key Responsible Persons 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 for reappointment in year 2024.
- Review and recommend the renewal of employment contract of the CEO/ Executive Director.
- Review and recommend the proposed remuneration for Directors, CEO/ Exective Director, Management who are Key Responsible Persons and Company Secretary to the Board for approval.

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 Annual General Meeting ("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 NEDs is formalised by a letter of appointment between the Company and the Non-Executive Director.

INDUCTION AND DEVELOPMENT

All newly appointed Directors receive a comprehensive induction programme which is tailored to their needs. The Chairman and the Company Secretary are responsible for designing an effective induction programme, with the objectives of:

- Facilitating the Director's understanding of the Group from both an internal and an external perspective: its culture, stakeholders, key businesses and markets, and operations on the ground;
- Providing them with any key insights into Board and Board Committees specific matter as relevant; and
- Enabling their effective contribution to the Board as early as possible.

As part of our ongoing development, the Board receives briefings on legal, regulatory and governance matters as they arise.

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 Group, its business strategy and performance. The remuneration framework is designed to promote sound and effective risk management in line with the Group's risk profile. The remuneration principles, applied consistently across the Group, that the NRC follows are:

BUSINESS FOCUSED	PRUDENT	PERFORMANCE DRIVEN	FAIR	TRANSPARENT
Remunerations must be relevant and aligned towards the achievement of the Group's business results.	The remuneration structure and quantum must reinforce the importance of sustainability, encourage ethical behaviours and sound risk management, as opposed to short-term view on remuneration without consideration of consequences.	The performance assessor must have adequate quantitative and qualitative measurements of performance before practicable and measurable recommendation on remuneration is made.	There must be no discrimination, biased treatment or any form of exploitation. Proper, fair and logical justification must ensue.	Employees should understand the expectations set out and seek for clarification where necessary.

FOR DIRECTORS

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

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

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

  NEDs' 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 and Co-Chairman of the Board shall be remunerated with a higher Directors' 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), benefits (fixed), performance bonus (variable) and deferred extraordinary bonus (variable).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B ACCOUNTABILITY

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group operates a rigorous system of risk management and internal control, which is designed to ensure that the probability of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other adhoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

The Board has established a continuous process for identifying, evaluating, and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report. The Board is also responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board regularly reviews the effectiveness of the Group's risk management and internal control systems. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from the Management to consider whether significant risks are identified, evaluated, managed, and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Audit Committee and Risk, Compliance and Sustainability Committee assist the Board in discharging its review responsibilities. A formal risk identification and assessment exercise has been carried out resulting in risks register summarising the key risks, potential impact and the mitigating factors or controls in place. The key risks faced by the Group are detailed on Page 64 of this report. The Board has a stated policy of reviewing this risk management and internal control framework at least once a year or in the event of a material change. The risk identification process also considered significant non-financial risks.

AUDIT COMMITTEE REPORT

Composition of the Audit Committee

The Audit Committee is established by the Board and comprises five 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 Audit Committee met four times during the year. The Audit Committee meetings were attended by the Chief Internal Auditor ("CIA"), the CEO and certain members of 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 14 January 2022.

During the year, the Audit Committee had reviewed the proposed amendments to its terms of reference and thereafter approved by the Board.

The detailed terms of reference of the Audit Committee is available at www.lpicapital.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B ACCOUNTABILITY

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 approval.
- Reviewed the disclosures in the Company's Integrated Annual Report and recommended them to the Board for approval.
- Reviewed the press release statements on the Group's performance and recommended them to the Board for approval.
- Reviewed the documents for submission to BNM pursuant to Section 51(1) of the Financial Services Act 2013 on the declaration and payment of dividends, and thereafter, recommended them to the Board for approval.
- Reviewed the documents for solvency test on the declaration and payment of dividends, as required by Section 132 of the Companies Act 2016.
- Reviewed the quarterly progress reports on MFRS 17 – Insurance Contracts.

In reviewing the annual audited financial statements of the Company/ Group, the Audit Committees 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 Committees had directed the Management to rectify and improve controls and operational workflow based on internal auditors' recommendations.
- Reviewed the Reports Arising from the Follow-up Review of each audit to ensure that all control lapses had 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.
- 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 Review of Compliance Function.
- Reviewed the Internal Audit Report on Storage and Transportation of Sensitive Data in Removable Media.
- Reviewed the Report on Assessment of Outsourcing Arrangement for Singapore branch.
- Reviewed and approved the Internal Audit Plans 2023.
- Noted the letter from BNM on the 2021 Composite Risk Rating of the Company.
- Noted the Conclusion Report on Audit Findings.
- Noted the Report on Internal Audit Function.
- Noted the Risk Assessment Report on the Independent Review of Internal Audit Department.
- Noted the resignation of Internal Audit staff.
- Reviewed and assessed the performance and contributions by the CIA for the financial year ended 31 December 2022.

The Audit Committees acknowledged 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 Committees arrived at these conclusions as there was no evidence that there had been any shortcomings in the aforementioned processes. Nevertheless, the Audit Committees noted 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; and
  - the results of the annual audit and 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 them to the Board for re-appointment.
- Deliberated on the proposed audit fees for the Company/ Group and recommended them to the Board for approval.
- Assessed the independence, suitability and objectivity of the external auditors and thereafter approved the provision of the non-audit services by the external auditors.
- Reviewed the appropriateness and approved the proposed non-audit fees for the Company/ Group.
- 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.
- Noted the external auditors' Transparency Report for the financial year ended 31 December 2021.

4. Related Party Transactions

- The Audit Committees 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).
- The Audit Committees 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B ACCOUNTABILITY

INTERNAL AUDIT FUNCTION

The Audit Committees are supported by an independent Internal Audit function in discharging their 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 Internal Audit function is 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 CIA reports directly to the Audit Committees 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 Internal Audit function, is approved by the Board and communicated throughout the organisation. The Internal Audit Charter is reviewed once in every 3 years.

The Internal Audit function is carried out based on the annual audit plans that were reviewed and approved by the Audit Committees. The audit plans included 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 Committees also reviewed the adequacy of the scope, functions, competency and resources of the Internal Audit function to ensure that it was 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 of Lonpac had approved the evaluation process for the Internal Audit function, which provides a formal and transparent procedure to evaluate the Internal Audit function. The Audit Committee of Lonpac evaluates the Internal Audit function 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 the Management in achieving its corporate goals. The audits further help to ensure that appropriate instituted controls are in place and effectively applied, and risk exposures are mitigated to an acceptable level in accordance with the Group's risk management policy.

During the year, various internal audit engagements were conducted in accordance with the annual audit plans which were consistent with the organisation's goals. The Internal Audit function evaluated the adequacy and effectiveness of key controls in response to risks within the Group's governance, operations and information systems. The areas evaluated included 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;
- Level of commitment to BCM, and overall preparedness against the Group's BCM policies and regulatory requirements;
- Adequacy and effectiveness of BCP and DRP testings;
- Risk management and capital management processes relating to ICAAP; and
- Adequacy and effectiveness of the actuarial valuation process.

The Executive Summary of each Internal Audit report arising from the audits were deliberated by the Audit Committees and recommendations were duly acted upon by the Management. Follow-up reviews were conducted and reported to the Audit Committees to ensure that all matters arising from each audit were adequately and promptly addressed by the auditee/ Management. The Internal Audit function assumed 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, the Internal Audit function will not be involved in the system selection or implementation process to maintain its objectivity and independence.

The Internal Audit function worked collaboratively with the Enterprise Risk Management function 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 Audit Committees acknowledge the importance of providing adequate and continuous training to the Internal Audit staff so that they can further enhance their competency level and skill sets to enable them to perform their role effectively and are ready to meet the challenges ahead. During the year, the Internal Audit staff attended various training programmes to keep themselves abreast of relevant developments in the insurance industry, relevant regulatory requirements as well as effective governance practices.

The total cost incurred in managing the Internal Audit function of the Group in 2022 was RM3.4 million.

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 performance, business model and strategy. The Board is also responsible for maintaining adequate accounting records and seeks to ensure compliance with statutory and regulatory obligations to manage or mitigate risk in line with the Group's risk strategy.

You can find an explanation from the Directors about their responsibility for preparing the financial statements in the Statement of Directors' responsibilities on Page 114.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

C EFFECTIVE COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of maintaining open dialogue with its various stakeholders. The Board directly and indirectly engages with the Group's key stakeholders so that it can understand their interests and take these into account in its decision-making. This includes regular dialogue with shareholders and engagement with employees.

More information on LPI's key stakeholders, including their areas of concerns and our responses, are set out below:

Stakeholders	How We Engage	Key Topics and Concerns	Our Responses	Value Created
SHAREHOLDERS/ INVESTORS/ BUSINESS PARTNERS/ MEDIA	• General Meetings ("GM") • Investors and analysts meetings • Results announcements • Corporate website • Integrated Annual Report • Correspondence via emails	• Financial management • Sustainability practices • Business strategy & long term growth • Governance practice	• Continue to update through quarterly announcement, meetings/ tele-conference with analysts and GM • Develop and implement robust strategies providing clear business direction	• Sustainable returns • Promote transparent practices • Long term growth and stability • Enhance brand positioning
EMPLOYEES	• 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 • Annual employee satisfaction survey	• 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 • Employee and workplace sustainability	• 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 • Implement flexi working hour • Collaborate with other companies to enjoy corporate purchase price on their products	• 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/ REGULATORS	• Supervisory dialogues • Adhoc consultation • Supervisory Audit	• Phased liberalisation • Anti-Bribery • Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions	• Continuous/ ongoing engagement and dialogues • Regular review/ updating of internal policies & procedures	• Continuous engagement • Keeping abreast with regulatory development & enforcement • Ensuring regulatory compliance

Stakeholders	How We Engage	Key Topics and Concerns	Our Responses	Value Created
CUSTOMERS	• Corporate website • Customer portal • Emailers, notices, announcements • Short Message Service ("SMS") • Tele-servicing/ Marketing	• Policy serving & renewal • Claims servicing • Policy changes/ terms/ conditions • Product promotions • Industry changes	• Periodic (Annually/ Quarterly/ Monthly) • Service level promise compliance • Adhoc, as when necessary/ required	• Customer satisfaction • Promise fulfilment • Loyal returning customers • Informed customers
INTERMEDIARIES	• Corporate website • E Insurance portal • Physical engagement/ servicing • Emailers, circulars, notices • Training • SMS • Tele-servicing	• Company policy • Underwriting policy/ guide/ changes/ amendments • Policy serving/ renewal • Claims servicing • Policy changes/ terms/ conditions • Product promotions • Industry changes	• Periodic (Daily/ Weekly/ Monthly/ Annually) • Service level promise compliance • Adhoc, as when necessary/ required	• Fulfilling career intermediaries • Informed intermediaries • Loyal long serving intermediaries • Technically sound intermediaries
SUPPLIERS & SERVICE PROVIDERS	• Planning & forecasting solutions • Suppliers' brand & reputation • Suppliers' competencies, capabilities & experiences • Meetings/ Briefings/ Presentations/ Demonstration	• Transparency of tender processes • Evaluation of the proposals/quotations • Potential business opportunities • Compliance to procurement Standard Operating Procedure ("SOP") • Developing collaborative and mutually beneficial relationships with existing and potential suppliers	• Review of the Suppliers' proposals/quotations • Regular review, setting up measurement • Develop Service Level Agreement • Managing relationships during the contract period • Make timely assessments and take clear action with information presented	• Cost-effective • Energy efficiency • Implement activities, including strategic and accountable responses
COMMUNITY	• Charity events • Sponsorships • Direct outreach • Long-term Corporate Social Responsibility ("CSR") partnerships	• Financial sustainability of Non-Governmental Organisations ("NGO") 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	• Regular charitable events designed to raise funds for NGO • Employee participation in community-focused CSR events • Sponsorship of sporting and educational events	• Long-term sustainability of our NGO • Uplifting the lives of the less-privileged in society • Ensure the sustainability of sporting events • Improve educational levels • Enhance environmental conservation awareness

CORPORATE GOVERNANCE OVERVIEW STATEMENT

C EFFECTIVE COMMUNICATION WITH STAKEHOLDERS

INTEGRATED ANNUAL REPORT

LPI's Integrated Annual Report remains a key channel of communication with the Group's stakeholders. The contents of the Integrated Annual Report of LPI met Bursa Malaysia Securities Berhad's Main Market Listing Requirements and other regulatory requirements of annual reports. The extensive information contents and disclosure requirements of Bursa Malaysia Securities Berhad governing listed companies' quarterly results announcements had also enhanced the transparency level of LPI Group.

The Group also provides an executive summary of its Integrated Annual Report, highlighting key financial and corporate information as well as the analysis of the statements of financial position and profit or loss, in order to facilitate shareholders' easy access to such key information. LPI Group disseminates its annual report to its shareholders on timely basis. The same information is also made available to the shareholders electronically as soon as the information is announced or published.

GENERAL MEETING

Another important avenue for communication and dialogue with the shareholders is the Company's General Meetings. All shareholders are encouraged to attend the Company's General Meeting and to participate in the proceedings. Shareholders are given both the opportunity and time to raise questions and seek clarification on the agenda items and on the performance of the Company and Group. Shareholders can at any time communicate with the Board through the Company Secretary via email at lpicosec@lonpac.com.

The Directors, including CEO/ Executive Director are responsible for providing clarification on issues raised by the shareholders at the Company's General Meeting and they attend General Meeting to clarify all enquiries from shareholders. Shareholders' suggestions received during General Meeting are reviewed and considered for implementation, wherever possible.

In view of the COVID-19 pandemic, the 61st AGM was convened as a virtual meeting. The Notice of 61st AGM to shareholders was dated 8 March 2022, which was at least 28 days' notice for holding the Company's 61st AGM on 6 April 2022. Shareholders were given sufficient notice period to review the Group's financial results and evaluate the resolutions tabled at general meeting.

At the virtual AGM, the CEO/ Executive Director of LPI Group presented a brief review of the financial performance of the LPI Group.

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of any general meeting shall be put to vote by poll. The electronic polling processes are managed by the Company's Share Registrar as Poll Administrator and Independent Scrutineers are appointed to verify and validate the results of the poll at the AGM.

Shareholders who attended the virtual AGM were actively participated in the voting of resolutions hence the Company had obtained high voting approval rate on all resolutions tabled. A summary of the proceedings of the annual general meeting was made available at the corporate website of the Company.

WEBSITE

The Company's corporate website, www.lpicapital.com, provides comprehensive and easy access of relevant information about the Company and the Group. Information available on the corporate website includes corporate information, individual profiles of the Directors and the Management, policies and procedures, share price and dividend information, financial results, financial calendar, annual reports/ integrated annual reports and announcement to Bursa Malaysia Securities Berhad.

ANNOUNCEMENT OF CONSOLIDATED RESULTS

14 April 2022 (Thursday)
Announcement date
Unaudited results for the 1st quarter ended 31 March 2022

2 August 2022 (Tuesday)
Announcement date
Unaudited results for the 2nd quarter ended 30 June 2022

17 October 2022 (Monday)
Announcement date
Unaudited results for the 3rd quarter ended 30 September 2022

7 February 2023 (Tuesday)
Announcement date
Audited results for the 4th quarter and financial year ended 31 December 2022

DIVIDENDS

2 August 2022 (Tuesday)
Notice date
17 August 2022 (Wednesday)
Entitlement date
25 August 2022 (Thursday)
Interim dividend payment date
First interim single tier dividend of 25 sen per ordinary share

7 February 2023 (Tuesday)
Notice date
22 February 2023 (Wednesday)
Entitlement date
2 March 2023 (Thursday)
Interim dividend payment date
Second interim single tier dividend of 35 sen per ordinary share

ANNUAL GENERAL MEETING

1 March 2023 (Wednesday)
Notice of 62nd Annual General Meeting

12 April 2023 (Wednesday)
62nd Annual General Meeting

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 2022.

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 2022 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	95	615
- Overseas affiliates of KPMG	-	359
• Non-audit services		
- KPMG *	5	104
- Local affiliates of KPMG **	7	35
- Overseas affiliates of KPMG ***	-	26
Total	107	1,139

* The non-audit services fees paid/ payable to KPMG were for the interim review of the subsidiary company for 6 months ended 30 June 2022, review of Statement on Risk Management and Internal Control and other services. The provision of these services by the external auditors to LPI Group were cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity.

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

*** The non-audit services fees paid/ payable to overseas affiliates of KPMG were for 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 2022 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.

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"), collectively known as the Group.

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 strategic, insurance, financial, operational, legal 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 Board Commitees, namely LPI Risk, Compliance and Sustainability Committee ("LPI RCSC"), LPI Audit Committee ("LPI AC"), Lonpac Audit Committee ("Lonpac AC"), Lonpac Risk & Sustainability Committee ("Lonpac RSC"), Lonpac Technology Committee ("Lonpac TC") and Lonpac Compliance Committee ("Lonpac CC") have 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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- The Group Risk Management and Internal Control Framework sets out the governing principles for the enterprise risk management and internal control activities of the Group. The objective of the framework is to establish 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 and customers. 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 the accountabilities and responsibilities for the risk management process which underlines the principal risk management and control responsibilities:

Approval of risk management policies, risk appetite and risk tolerance

- LPI Board
- Lonpac Board

Review risk management policies, risk appetite and risk tolerance

- LPI RCSC
- Lonpac RSC
- Lonpac CC
- Lonpac TC

Oversight and assurance

- LPI AC
- Lonpac AC

Implementation of enterprise risk management, sustainability, independent review and compliance

- Enterprise Risk Management & Sustainability ("ERMS") Department
- Internal Audit Department ("IAD")
- Information Security Department
- Compliance Department

Implementation, development and giving feedback of risk management and sustainability policies

- Administration Department
- Actuarial Department
- Branches Strategic Performance Department
- Claims Department
- Distribution Division
- Employees Development Department
- Employment Management Department
- Employees Welfare Department
- Finance Department
- Information Technology Department
- Legal Department
- Pricing Department
- Product Development Department
- Secretariat Department
- Underwriting Division

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 Board Committees are supported by the ERMS Department, Information Security Department, IAD and Compliance Department. ERMS Department identifies and communicates the material risks (present and potential) in terms of likelihood of exposures and impact on the Group's business to the Lonpac RSC, on at least a quarterly basis.

Information Security Department establishes and reviews the implementation of technology risk management frameworks, monitors conformance, reviews the management of cyber risk, 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 Department ensures the Group is in compliance with applicable regulatory requirements at all times. The Compliance Department communicates compliance related issues to the Lonpac CC on at least quarterly basis.

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 sustainability element considered, each with its own unique set of characteristics and operational implications.

The Risk Matrix was utilised to depict the short-term and long-term 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 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

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 is committed to maintaining a strong capital adequacy level in order to maintain its ability to meet the obligations to policyholders at all times. Finance Department monitors Lonpac's capital adequacy ratio on a monthly basis to ensure it maintains strong capital at all times.
- 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 constantly monitors the flood exposure to ensure well spread of flood 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 its 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. Different level of management actions will be established in the event that the loss ratio hits any of the thresholds.
- Risk Report defines a set of risk appetite and risk tolerance approved by the Lonpac 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 Department follows up closely on compliance of regulatory requirements. It helps the Group to manage 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 Committees of the Group to discharge their 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 Committees meetings for deliberation and the Audit Committees' expectations on the corrective measures will be communicated to the respective heads of departments and branches. The annual Internal Audit Plans are reviewed and approved by the Audit Committees.
- The Audit Committees of the Group review 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 Committees also review the internal audit function and quality of internal audits. The minutes of the Audit Committees meetings are tabled to the Board. Further details of the activities undertaken by the Audit Committees 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 Officers 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 Lonpac Reinsurance Security Committee and the Lonpac RSC.
- The Management of Lonpac submits annually a business plan and budget with 3 year projections for approval by the Lonpac Board. The Lonpac 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 Lonpac RSC meeting and thereafter recommended to the Lonpac 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 Lonpac AC 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 Lonpac RSC and the Lonpac Board meetings.
- The Group's quarterly financial reports are released to Bursa Malaysia Securities Berhad after being reviewed by the LPI AC and approved by the LPI Board.
- Management meetings chaired by the Chief Executive Officer of Lonpac are conducted monthly to review financial performance, business development and to deliberate on management and corporate issues.
- The maintenance of adequate data quality is carried out and internal controls, either in the systems or manually performed, are incorporated to maintain the data quality. The assessment of data accuracy is carried out on a yearly basis by the ERMS Department and the assessment report will be tabled at the Lonpac RSC and the Lonpac 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.
- 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- 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 established 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 Lonpac AC'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 Lonpac AC 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 Lonpac AC, 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.

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

- 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.

- Group-wide Sustainability Framework has been established to provide principles that govern the management of sustainability within the Group which cover the key activities related to materiality assessment, sustainability blueprints, sustainability-related targets and goals, remuneration and reporting timeframe.

- Sustainability Council ("SCL") chaired by Group Chief Executive Officer ensures the Group's policies and operations are in line with the sustainability-related targets and goals approved by the Board. The SCL oversees the implementation of the Group's sustainability initiatives.

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 2022. 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

	2022 RM'mil	2021 RM'mil	Increase/ (Decrease) Amount RM'mil	Increase/ (Decrease) %
Assets				
Plant and equipment	**6.7**	4.7	2.0	42.6
Right-of-use assets	**43.4**	47.8	(4.4)	(9.2)
Investment properties	**29.9**	27.3	2.6	9.5
Intangible assets	**5.4**	8.4	(3.0)	(35.7)
Investment in an associated company	**42.4**	39.4	3.0	7.6
Fair value through other comprehensive income financial assets	**951.7**	916.4	35.3	3.9
Fair value through profit or loss financial assets	**1,140.3**	1,137.8	2.5	0.2
Amortised cost financial assets	**190.8**	114.8	76.0	66.2
Deferred tax assets	**-**	7.1	(7.1)	(100.0)
Reinsurance assets	**1,354.7**	1,272.0	82.7	6.5
Loans and receivables (excluding insurance receivables)	**398.3**	1,007.4	(609.1)	(60.5)
Insurance receivables	**189.8**	178.2	11.6	6.5
Deferred acquisition costs	**55.5**	45.6	9.9	21.7
Cash and cash equivalents	**724.9**	87.9	637.0	724.7
Total Assets	**5,133.8**	4,894.8	239.0	4.9
Total Equity	**2,182.9**	2,141.0	41.9	2.0
Liabilities				
Insurance contract liabilities	**2,653.1**	2,448.1	205.0	8.4
Deferred tax liabilities	**0.9**	-	0.9	>100.0
Lease liabilities	**45.4**	49.6	(4.2)	(8.5)
Insurance payables	**102.1**	120.6	(18.5)	(15.3)
Other payables	**129.5**	110.6	18.9	17.1
Current tax payables	**19.9**	24.9	(5.0)	(20.1)
Total Liabilities	**2,950.9**	2,753.8	197.1	7.2
Total Equity and Liabilities	**5,133.8**	4,894.8	239.0	4.9

Total Assets

As at 31 December 2022, the total assets of the Group was RM5,133.8 million, increased by 4.9% or RM239.0 million over the previous financial year mainly attributed to the increase in cash and cash equivalents by RM637.0 million and investment in financial assets of RM113.8 million. The increase in cash and cash equivalents was mainly attributed to the shifting of fixed and call deposits with maturities from more than 3 months to 3 months or less due to the increasing trend of interest rate.

Plant and Equipment

During the year 2022, the Group's plant and equipment increased by 42.6% or RM2.0 million to RM6.7 million from RM4.7 million in 2021 mainly due to the purchase of plant and equipment during the year.

Right-of-Use Assets

The right-of-use assets of the Group, which consist of leases of buildings and machines, had decreased by 9.2% or RM4.4 million to RM43.4 million from RM47.8 million in 2021 due to the depreciation charge during the year.

Investment Properties

The investment properties of the Group increased by 9.5% or RM2.6 million to RM29.9 million from RM27.3 million registered in 2021. The increase was mainly contributed by the increase in fair value of the properties and foreign exchange translation gains. The investment properties were revalued in accordance with the revaluation report issued by the external independent valuer.

Intangible Assets

The intangible assets which consist of software development costs of the Group decreased by 35.7% or RM3.0 million to RM5.4 million from RM8.4 million in 2021 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 7.6% or RM3.0 million to RM42.4 million from RM39.4 million in 2021 as a result of profit generated during the year and foreign exchange translation gains. The Group's share of the profit after tax from this associated company for the current financial year ended 31 December 2022 decreased by RM2.0 million to RM0.8 million from RM2.8 million in 2021.

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 3.9% or RM35.3 million to RM951.7 million from RM916.4 million in 2021 due to the increase in the market value.

ANALYSIS OF THE FINANCIAL STATEMENTS

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 0.2% or RM2.5 million to RM1,140.3 million from RM1,137.8 million in 2021 mainly due to the increase in the investment in corporate debt securities by RM87.6 million to RM233.9 million from RM146.3 million in 2021. However this was partly offset by the decrease in investment in unit trust by RM85.5 million to RM897.0 million from RM982.5 million in 2021. Whilst the value of real estate investment trusts ("REITs") was maintained at RM3.2 million as compared to 2021. The value of exchange-traded fund ("ETF") decreased by RM0.1 million to RM0.6 million from RM0.7 million in 2021. The value of equity securities increased to RM5.7 million from RM5.2 million in 2021.

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 financial statements. The Group's amortised cost financial assets consist of Malaysian government securities, government investment issues, government guaranteed loans and corporate debt securities which are mainly held for yield and liquidity purposes. The amortised cost financial assets increased by 66.2% or RM76.0 million to RM190.8 million from RM114.8 million in 2021 due to the purchase of government investment issues of RM20.0 million, government guaranteed loans of RM35.0 million and corporate debt securities of RM20.0 million.

Reinsurance Assets

As at 31 December 2022, the reinsurers' share of provision for outstanding claims and provision for unearned premiums (Reinsurance assets) increased by 6.5% or RM82.7 million to RM1,354.7 million from RM1,272.0 million in 2021.

Loans and Receivables (Excluding Insurance Receivables)

The Group's loans and receivables as at 31 December 2022 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 60.5% or RM609.1 million to RM398.3 million from RM1,007.4 million in 2021 largely due to the shifting of fixed and call deposits with maturities from more than 3 months to 3 months or less. The placement of fixed deposit with maturity more than 3 months decreased by 64.9% or RM601.3 million to RM325.2 million from RM926.5 million in 2021. Other receivables decreased by 8.8% or RM5.2 million to RM54.0 million from RM59.2 million in 2021. The decline was mainly due to the decrease in amount due from Malaysian Motor Insurance Pool of RM4.2 million. Staff loans decreased by 11.5% or RM2.5 million to RM19.2 million from RM21.7 million in 2021.

Insurance Receivables

The Group's insurance receivables increased by 6.5% or RM11.6 million to RM189.8 million from RM178.2 million in 2021. The increase was mainly due to higher outstanding net balance due from reinsurers and cedants.

Deferred Acquisition Costs

The Group's deferred acquisition costs which consist mainly of commissions to agents and brokers had increased by 21.7% or RM9.9 million to RM55.5 million from RM45.6 million in 2021.

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 increased by RM637.0 million to RM724.9 million from RM87.9 million in 2021 mainly due to the shifting of fixed and call deposits with maturities from more than 3 months to 3 months or less. The fixed deposits placements with maturities of 3 months or less increased by RM638.6 million to RM685.4 million from RM46.8 million in 2021.

Total Liabilities

The Group's total liabilities increased by 7.2% or RM197.1 million to RM2,950.9 million from RM2,753.8 million in 2021. The increase was primarily due to the higher insurance contract liabilities. Total insurance contract liabilities accounted for 89.9% or RM2,653.1 million of the Group's total liabilities, of which RM1,808.7 million related to the provision for outstanding claims and RM844.4 million to provision for unearned premiums.

Insurance Contract Liabilities

The Group's insurance contract liabilities consist of gross provision for outstanding claims and gross provision for unearned premiums. Total insurance contract liabilities increased by 8.4% or RM205.0 million to RM2,653.1 million from RM2,448.1 million in 2021. The increase amount of RM205.0 million consists of RM129.5 million in provision for outstanding claims and RM75.5 million in provision for unearned premiums reserves.

Lease Liabilities

The Group's lease liabilities decreased by 8.5% or RM4.2 million to RM45.4 million from RM49.6 million in 2021 due to the repayments during the year.

Insurance Payables

The Group's insurance payables decreased by 15.3% or RM18.5 million to RM102.1 million from RM120.6 million in 2021. The decrease was mainly due to lower outstanding net balance due to reinsurers and cedants.

Other Payables

The Group's other payables increased by 17.1% or RM18.9 million to RM129.5 million from RM110.6 million in 2021. The increase was mainly due to higher cash collateral deposits received from policyholders.

Shareholders' Equity

The Group's shareholders' equity as at 31 December 2022 increased by 2.0% or RM41.9 million to RM2,182.9 million from RM2,141.0 million in 2021 after the payment of dividends amounted to RM278.9 million (consist of RM179.3 million second interim for financial year 2021 and RM99.6 million first interim for financial year 2022) during the year. The Group recorded a net profit of RM276.6 million for the year 2022, with a return on equity of 12.7%. Accordingly, the Group's retained earnings decreased slightly by RM2.3 million to RM957.7 million from RM960.0 million. Whilst the Group's fair value reserve increased by RM35.0 million to RM791.9 million from RM756.9 million in 2021 contributed by the increase in market value in FVOCI financial assets.

ANALYSIS OF THE FINANCIAL STATEMENTS

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

	2022 RM'mil	2021 RM'mil	Increase/ (Decrease) Amount RM'mil	Increase/ (Decrease) %
Operating revenue	**1,657.6**	1,717.7	(60.1)	(3.5)
Gross written premiums	**1,628.8**	1,561.0	67.8	4.3
Change in unearned premiums provision	**(71.7)**	51.0	(122.7)	(240.6)
Gross earned premiums	**1,557.1**	1,612.0	(54.9)	(3.4)
Gross written premiums ceded to reinsurers	**(584.1)**	(551.6)	32.5	5.9
Change in unearned premiums provision	**15.9**	(48.5)	(64.4)	(132.8)
Premiums ceded to reinsurers	**(568.2)**	(600.1)	(31.9)	(5.3)
Net earned premiums	**988.9**	1,011.9	(23.0)	(2.3)
Investment income	**100.4**	105.7	(5.3)	(5.0)
Fair value gains	**1.3**	0.4	0.9	225.0
Commission income	**118.8**	112.9	5.9	5.2
Net reversal of impairment loss on insurance receivables	**0.8**	-	0.8	>100.0
Other operating income	**3.8**	2.7	1.1	40.7
Other income	**225.1**	221.7	3.4	1.5
Net claims incurred	**(435.5)**	(369.7)	65.8	17.8
Fair value losses	**(9.6)**	(46.5)	(36.9)	(79.4)
Commission expense	**(177.7)**	(174.7)	3.0	1.7
Management expenses	**(216.9)**	(206.5)	10.4	5.0
Net impairment loss on insurance receivables	**-**	(0.1)	(0.1)	(100.0)
Other operating expense	**(0.4)**	-	0.4	>100.0
Other expenses	**(404.6)**	(427.8)	(23.2)	(5.4)
Operating profit	**373.9**	436.1	(62.2)	(14.3)
Finance cost	**(1.2)**	(1.6)	(0.4)	(25.0)
Share of profit after tax of equity accounted associated company	**0.8**	2.8	(2.0)	(71.4)
Profit before tax	**373.5**	437.3	(63.8)	(14.6)
Tax expense	**(96.9)**	(92.6)	4.3	4.6
Profit for the year	**276.6**	344.7	(68.1)	(19.8)

For the financial year ended 31 December 2022, LPI Group reported a lower performance in terms of revenue and profit before tax as compared to 2021. The revenue of the Group decreased by 3.5% or RM60.1 million to RM1,657.6 million as compared to RM1,717.7 million in 2021 due to the lower gross earned premiums and investment income. The Group's profit before tax decreased by 14.6% or RM63.8 million to RM373.5 million from RM437.3 million in 2021. The decrease in profit before tax was mainly due to the lower underwriting profits resulted from the normalisation of claims experience coupled with the lower net earned premiums as a result of the adoption of a more conservative approach in the computation of provision for unearned premiums reserves for Mortgage-Related Personal Accident insurance portfolio and lower retention of premiums. The Group's net profit decreased by 19.8% or RM68.1 million to RM276.6 million as compared to RM344.7 million in 2021. The Group's earnings per share decreased to 69.43 sen as compared to 86.52 sen last year and the return on equity decreased to 12.7% from 16.1% reported in 2021.

The Group's underwriting results decreased by 24.9% or RM94.6 million to RM285.1 million in 2022 from RM379.7 million in 2021, mainly attributed to higher net claims incurred as mentioned above. The net claims incurred ratio deteriorated to 44.0% from 36.5% in 2021 and the combined ratio increased to 71.2% from 62.5% in 2021. (Underwriting results is defined as Net Earned Premiums – Net Claims Incurred + Commission Income – Commission Expenses – Management Expenses of Insurance Fund).

Operating Revenue

The LPI Group's operating revenue decreased by 3.5% or RM60.1 million to RM1,657.6 million from RM1,717.7 million in 2021 mainly due to lower gross earned premiums which contributed 93.9% of the total operating revenue in 2022.

Operating Revenue	2022 RM'000	2021 RM'000	Variance RM'000	Variance %	Contribution 2022 %
Gross earned premiums	**1,557,147**	1,612,042	(54,895)	(3.4)	**93.9**
Dividend income	**65,595**	77,906	(12,311)	(15.8)	**3.9**
Interest income	**34,047**	27,121	6,926	25.5	**2.1**
Rental of premises	**801**	665	136	20.5	**0.1**
Total	**1,657,590**	1,717,734	(60,144)	(3.5)	**100.0**

Gross Written Premiums and Gross Earned Premiums

The Group's gross written premiums grew 4.3% or RM67.8 million to RM1,628.8 million from RM1,561.0 million in 2021. Fire and Miscellaneous insurances were the largest contributors, growing by RM28.4 million and RM22.4 million respectively. Fire and Miscellaneous insurances accounted for approximately 40.5% and 30.7% of the total gross written premiums in 2022 respectively. The gross earned premiums decreased by 3.4% or RM54.9 million to RM1,557.1 million from RM1,612.0 million in 2021 mainly due to higher provision for unearned premiums reserves.

Gross Written Premiums by Class of Business

Class	2022 RM'000	2021 RM'000	Variance RM'000	Variance %	Contribution 2022 %
Fire	**659,381**	630,995	28,386	4.5	**40.5**
Motor	**371,341**	356,604	14,737	4.1	**22.8**
Marine, aviation & transit	**97,889**	95,574	2,315	2.4	**6.0**
Miscellaneous	**500,233**	477,864	22,369	4.7	**30.7**
Total	**1,628,844**	1,561,037	67,807	4.3	**100.0**

Gross Earned Premiums by Class of Business

Class	2022 RM'000	2021 RM'000	Variance RM'000	Variance %	Contribution 2022 %
Fire	**639,315**	628,116	11,199	1.8	**41.1**
Motor	**362,240**	366,589	(4,349)	(1.2)	**23.3**
Marine, aviation & transit	**95,020**	94,261	759	0.8	**6.1**
Miscellaneous	**460,572**	523,076	(62,504)	(11.9)	**29.5**
Total	**1,557,147**	1,612,042	(54,895)	(3.4)	**100.0**

ANALYSIS OF THE FINANCIAL STATEMENTS

Net Earned Premiums

Due to the higher provision for unearned premiums reserves, the Group's net earned premiums decreased by 2.3% or RM23.0 million to RM988.9 million when compared to RM1,011.9 million in 2021. The decrease was attributed to all classes of business except for Marine, aviation & transit class.

Net Earned Premiums by Class of Business

Class	2022 RM'000	2021 RM'000	Variance RM'000	Variance %	Contribution 2022 %
Fire	**400,688**	403,786	(3,098)	(0.8)	**40.5**
Motor	**340,779**	349,546	(8,767)	(2.5)	**34.5**
Marine, aviation & transit	**18,813**	17,678	1,135	6.4	**1.9**
Miscellaneous	**228,606**	240,872	(12,266)	(5.1)	**23.1**
Total	**988,886**	1,011,882	(22,996)	(2.3)	**100.0**

Other Income

The Group's other income, consists mainly of investment income, fair value gains, commission income, reversal of impairment loss on insurance receivables and other operating income, which increased by 1.5% or RM3.4 million to RM225.1 million from RM221.7 million in 2021. The increase was mainly contributed by the higher commission income received.

Investment Income

Investment income decreased by 5.0% or RM5.3 million to RM100.4 million from RM105.7 million in 2021 mainly due to lower dividend income received. The Group's dividend income from investment in equities and unit trusts decreased by 15.8% or RM12.3 million to RM65.6 million from RM77.9 million in 2021, whilst its interest income from investment in fixed income securities and fixed deposits increased by 25.5% or RM6.9 million to RM34.0 million from RM27.1 million in 2021 mainly contributed by new purchase of fixed income securities and higher placement of fixed deposits at higher interest rates.

Fair Value Gains and Losses

During the year, the Group registered higher fair value gains of RM1.3 million as compared to RM0.4 million in 2021 contributed by its investment properties of RM1.0 million and equity securities of RM0.3 million. However, the Group registered fair value losses of RM9.6 million on its other investments, there being RM6.8 million in unit trusts, RM2.6 million in corporate debt securities and RM0.2 million in REITs and ETF. The fair value losses from unit trusts and corporate debt securities were mainly due to the lower bond valuation.

Commission Income

The Group's commission income earned from the reinsurers increased by 5.2% or RM5.9 million to RM118.8 million from RM112.9 million in 2021.

ANALYSIS OF THE FINANCIAL STATEMENTS

Net Reversal of Impairment Loss on Insurance Receivables

The Group recorded a reversal of RM0.8 million of allowance for impairment loss on insurance receivables as compared to a provision of RM0.1 million in 2021.

Other Operating Income

Other operating income of the Group increased by RM1.1 million to RM3.8 million as compared to RM2.7 million in 2021, mainly contributed by higher sundry income.

Net Claims Incurred

The Group's net claims incurred increased by 17.8% or RM65.8 million to RM435.5 million from RM369.7 million in 2021. The increase in the Group's net claims incurred was mainly due to the resumption of economy and social activities. As a result, the net claims incurred ratio deteriorated to 44.0% from 36.5% in 2021.

Net Claims Incurred by Class of Business

Class	2022 RM'000	2021 RM'000	Variance RM'000	Variance %	Contribution 2022 %
Fire	**56,116**	51,551	4,565	8.9	**12.9**
Motor	**262,850**	212,346	50,504	23.8	**60.4**
Marine, aviation & transit	**6,394**	5,990	404	6.7	**1.4**
Miscellaneous	**110,130**	99,782	10,348	10.4	**25.3**
Total	**435,490**	369,669	65,821	17.8	**100.0**

Net Claims Incurred Ratio by Class of Business

Class	2022 %	2021 %	Variance Percentage points
Fire	**14.0**	12.8	1.2
Motor	**77.1**	60.7	16.4
Marine, aviation & transit	**34.0**	33.9	0.1
Miscellaneous	**48.2**	41.4	6.8
Total	**44.0**	36.5	7.5

Commission Expense

The Group's commission expense paid to intermediaries increased by 1.7% or RM3.0 million to RM177.7 million from RM174.7 million in 2021.

Management Expenses

The management expenses of the Group increased by 5.0% or RM10.4 million to RM216.9 million from RM206.5 million in 2021. Higher gross written premiums has led to a corresponding increase in personnel cost and marketing expenses, while the expansion of the Group's operations has also resulted in higher administrative expenses. The staff cost constituted RM151.5 million or 69.8% of the Group's total management expenses of RM216.9 million.

Other Operating Expenses

Other operating expenses of RM0.4 million was mainly to due to the share of Malaysian Motor Insurance Pool's investment losses.

Finance Cost

Finance cost accounted under Malaysian Financial Reporting Standard 16, *Leases* decreased by RM0.4 million to RM1.2 million from RM1.6 million in 2021.

Taxation

The Group's tax expense increased by 4.6% or RM4.3 million to RM96.9 million from RM92.6 million in 2021. The Group's effective tax rate for the current financial year was 25.9% which was higher than the statutory tax rate of 24.0% mainly due to the one-off prosperity tax of 33.0% on chargeable income in excess of RM100.0 million.

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 2022 and of their financial performance and cash flows for the year then ended.

In preparing the annual audited financial statements, the Directors ensured that the Management has:

- 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 are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the relevant regulatory requirements.

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 2022

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 2022.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding activities while the principal activity of the subsidiary is 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	276,607	244,329

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 2021 as reported in the Directors' Report of that year:

- a second interim single tier dividend of 45.00 sen per ordinary share totalling RM179,272,239 declared on 7 February 2022 and paid on 2 March 2022.

ii) In respect of the financial year ended 31 December 2022:

- a first interim single tier dividend of 25.00 sen per ordinary share totalling RM99,595,688 declared on 2 August 2022 and paid on 25 August 2022.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

DIVIDENDS (CONTINUED)

Subsequent to the financial year end, on 7 February 2023, the Directors declared a second interim single tier dividend of 35.00 sen per ordinary share on the issued and paid-up share capital as at the entitlement date on 22 February 2023 in respect of the financial year ended 31 December 2022. The dividend will be payable on 2 March 2023. The Directors do not propose any final dividend for the financial year ended 31 December 2022.

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 (demised on 12 December 2022)
Tee Choon Yeow
Tan Kok Guan
Lee Chin Guan
Quah Poh Keat
Chan Kwai Hoe
Soo Chow Lai
Dato' Chia Lee Kee

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' 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 1.1.2022	**Bought**	**Sold**	**At 31.12.2022**
Interests in the Company:				
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	2,300,000	-	-	2,300,000

None of the other Directors holding office at 31 December 2022 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2022 are as follows:

	From the Company RM'000	From subsidiary company RM'000
Directors of the Company:		
Fees	1,610	710
Salary	1,476	-
Bonus	1,415	-
EPF	347	-
Other	351	413
Benefits-in-kind	29	27
	5,228	1,150

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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

INDEMNITY AND INSURANCE COSTS

The following disclosure on particulars of indemnity given to, or insurance effected for, any Director or officer of the Group 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	42	28,000

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

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia,

ii) all known bad debts have been written off and adequate impairment allowance made for doubtful debts, and

iii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts and insurance liabilities in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONTINUED)

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 2022 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.

AUDITORS

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

The auditors' remuneration of the Group and Company during the year are RM1,077,600 and RM100,000 respectively.

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: 7 February 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Plant and equipment	3	**6,736**	4,717	**3**	1
Right-of-use assets	4	**43,372**	47,821	**-**	-
Investment properties	5	**29,862**	27,316	**-**	-
Intangible assets	6	**5,440**	8,401	**7**	16
Investment in a subsidiary	7	**-**	-	**200,000**	200,000
Investment in an associated company	8	**42,387**	39,446	**10,833**	10,833
Other investments		**2,282,813**	2,169,029	**918,447**	884,430
- Fair value through other comprehensive income	9(a)	**951,672**	916,424	**918,447**	884,430
- Fair value through profit or loss	9(b)	**1,140,334**	1,137,794	**-**	-
- Amortised cost	9(c)	**190,807**	114,811	**-**	-
Deferred tax assets	10	**-**	7,061	**-**	-
Reinsurance assets	11	**1,354,724**	1,271,952	**-**	-
Loans and receivables, excluding insurance receivables	12(a)	**398,289**	1,007,396	**21,967**	70,664
Insurance receivables	12(b)	**189,806**	178,160	**-**	-
Deferred acquisition costs	13	**55,444**	45,605	**-**	-
Cash and cash equivalents	14	**724,911**	87,900	**20,064**	5,704
Total assets		**5,133,784**	4,894,804	**1,171,321**	1,171,648
Equity					
Share capital		**398,383**	398,383	**398,383**	398,383
Reserves		**1,784,478**	1,742,639	**770,510**	771,032
Total equity	15	**2,182,861**	2,141,022	**1,168,893**	1,169,415
Liabilities					
Insurance contract liabilities	16	**2,653,096**	2,448,068	**-**	-
Deferred tax liabilities	10	**917**	-	**-**	-
Lease liabilities	17	**45,384**	49,630	**-**	-
Insurance payables	18	**102,111**	120,630	**-**	-
Other payables	19	**129,518**	110,573	**2,375**	2,126
Current tax payables		**19,897**	24,881	**53**	107
Total liabilities		**2,950,923**	2,753,782	**2,428**	2,233
Total equity and liabilities		**5,133,784**	4,894,804	**1,171,321**	1,171,648

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating revenue	20	**1,657,590**	1,717,734	**253,059**	275,448
Gross written premiums	21	**1,628,844**	1,561,037	**-**	-
Change in unearned premiums provision	21	**(71,697)**	51,005	**-**	-
Gross earned premiums	21	**1,557,147**	1,612,042	**-**	-
Gross written premiums ceded to reinsurers	21	**(584,163)**	(551,648)	**-**	-
Change in unearned premiums provision	21	**15,902**	(48,512)	**-**	-
Premiums ceded to reinsurers	21	**(568,261)**	(600,160)	**-**	-
Net earned premiums	21	**988,886**	1,011,882	**-**	-
Investment income	22	**100,443**	105,692	**253,059**	275,448
Realised gains	23	**17**	3	**-**	-
Fair value gains	24	**1,304**	418	**-**	-
Commission income	25	**118,750**	112,876	**-**	-
Net reversal of impairment loss on insurance receivables	35.4	**841**	-	**-**	-
Other operating income	26	**3,774**	2,703	**-**	-
Other income		**225,129**	221,692	**253,059**	275,448
Gross claims paid	27	**(688,126)**	(540,991)	**-**	-
Claims ceded to reinsurers	27	**313,172**	200,473	**-**	-
Gross change in claims liabilities	27	**(125,154)**	(328,984)	**-**	-
Change in claims liabilities ceded to reinsurers	27	**64,618**	299,833	**-**	-
Net claims incurred	27	**(435,490)**	(369,669)	**-**	-

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fair value losses	24	**(9,600)**	(46,504)	**-**	-
Commission expense	25	**(177,666)**	(174,684)	**-**	-
Management expenses	28	**(216,924)**	(206,453)	**(8,455)**	(7,854)
Net impairment loss on insurance receivables	35.4	**-**	(92)	**-**	-
Net impairment loss on investments carried at amortised cost	35.4	**-**	(1)	**-**	-
Other operating expense		**(429)**	(32)	**-**	-
Other expenses		**(404,619)**	(427,766)	**(8,455)**	(7,854)
Operating profit		**373,906**	436,139	**244,604**	267,594
Finance cost	17.2	**(1,253)**	(1,572)	**-**	-
Share of profit after tax of equity accounted associated company	8	**808**	2,749	**-**	-
Profit before tax		**373,461**	437,316	**244,604**	267,594
Tax expense	30	**(96,854)**	(92,637)	**(275)**	(437)
Profit for the year		**276,607**	344,679	**244,329**	267,157
Profit attributable to:					
Owners of the Company		**276,607**	344,679	**244,329**	267,157
Earnings per ordinary share (sen)					
Basic	31	**69.43**	86.52		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Profit for the year		**276,607**	344,679	**244,329**	267,157
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation		**9,145**	2,956	**-**	-
Items that will not be reclassified to profit or loss					
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**35,036**	8,762	**34,017**	8,504
Income tax relating to these items	30	**(81)**	(23)	**-**	-
Total other comprehensive income for the year, net of tax		**44,100**	11,695	**34,017**	8,504
Total comprehensive income for the year attributable to owners of the Company		**320,707**	356,374	**278,346**	275,661

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Group	Note	Non-distributable Share capital RM'000	Non-distributable Foreign currency translation reserve RM'000	Non-distributable Fair value reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2021		398,383	22,753	748,242	906,090	2,075,468
Foreign currency translation differences for foreign operation		-	2,956	-	-	2,956
Net gains on investments in equity instruments designated at fair value through other comprehensive income		-	-	8,739	-	8,739
Total other comprehensive income for the year		-	2,956	8,739	-	11,695
Profit for the year		-	-	-	344,679	344,679
Total comprehensive income for the year		-	2,956	8,739	344,679	356,374
Distributions to owners of the Company						
Dividends to owners of the Company	32	-	-	-	(290,820)	(290,820)
Total transaction with owners of the Company		-	-	-	(290,820)	(290,820)
At 31 December 2021		398,383	25,709	756,981	959,949	2,141,022
At 1 January 2022		**398,383**	**25,709**	**756,981**	**959,949**	**2,141,022**
Foreign currency translation differences for foreign operation		**-**	**9,145**	**-**	**-**	**9,145**
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**-**	**-**	**34,955**	**-**	**34,955**
Total other comprehensive income for the year		**-**	**9,145**	**34,955**	**-**	**44,100**
Profit for the year		**-**	**-**	**-**	**276,607**	**276,607**
Total comprehensive income for the year		**-**	**9,145**	**34,955**	**276,607**	**320,707**
Distributions to owners of the Company						
Dividends to owners of the Company	32	**-**	**-**	**-**	**(278,868)**	**(278,868)**
Total transaction with owners of the Company		**-**	**-**	**-**	**(278,868)**	**(278,868)**
At 31 December 2022		**398,383**	**34,854**	**791,936**	**957,688**	**2,182,861**
		Note 15.1	Note 15.2	Note 15.3		

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

		← Non-distributable →		Distributable	
Company	**Note**	**Share capital RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2021		398,383	624,866	161,325	1,184,574
Net gains on investments in equity instruments designated at fair value through other comprehensive income		-	8,504	-	8,504
Total other comprehensive income for the year		-	8,504	-	8,504
Profit for the year		-	-	267,157	267,157
Total comprehensive income for the year		-	8,504	267,157	275,661
Distributions to owners of the Company					
Dividends to owners of the Company	32	-	-	(290,820)	(290,820)
Total transaction with owners of the Company		-	-	(290,820)	(290,820)
At 31 December 2021		398,383	633,370	137,662	1,169,415
At 1 January 2022		**398,383**	**633,370**	**137,662**	**1,169,415**
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**-**	**34,017**	**-**	**34,017**
Total other comprehensive income for the year		**-**	**34,017**	**-**	**34,017**
Profit for the year		**-**	**-**	**244,329**	**244,329**
Total comprehensive income for the year		**-**	**34,017**	**244,329**	**278,346**
Distributions to owners of the Company					
Dividends to owners of the Company	32	**-**	**-**	**(278,868)**	**(278,868)**
Total transaction with owners of the Company		**-**	**-**	**(278,868)**	**(278,868)**
At 31 December 2022		**398,383**	**667,387**	**103,123**	**1,168,893**
		Note 15.1	Note 15.3		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Operating activities				
Profit before tax	**373,461**	437,316	**244,604**	267,594
Investment income	**(100,443)**	(105,692)	**(253,059)**	(275,448)
Net realised gains recorded in profit or loss	**(17)**	(3)	**-**	-
Net fair value losses recorded in profit or loss	**8,296**	46,086	**-**	-
Share of profit of equity accounted associated company	**(808)**	(2,749)	**-**	-
Proceeds from disposal of financial assets carried at fair value through profit or loss	**1,171,894**	30,371	**-**	-
Purchase of financial assets carried at fair value through profit or loss	**(1,223,213)**	(327,122)	**-**	-
Purchase of financial assets carried at amortised cost	**(84,955)**	(76,728)	**-**	-
Maturity of financial assets carried at amortised cost	**9,890**	15,000	**-**	-
Maturity of financial assets carried at fair value through profit or loss	**40,000**	5,000	**-**	-
Interest on lease liabilities	**1,253**	1,572	**-**	-
Non-cash items:				
Depreciation of plant and equipment	**2,841**	3,222	**1**	71
Depreciation of right-of-use assets	**7,052**	6,654	**-**	-
Amortisation of intangible assets	**3,928**	3,398	**9**	9
Bad debts written off	**-**	539	**-**	-
Unrealised foreign exchange gain	**(502)**	(311)	**-**	-
Net (reversal of)/ impairment loss on insurance receivables	**(841)**	92	**-**	-
Net impairment loss on investments carried at amortised cost	**-**	1	**-**	-
Changes in working capital:				
Loans and receivables	**612,287**	162,454	**48,697**	25,169
Reinsurance assets	**(80,519)**	(251,320)	**-**	-
Insurance receivables	**(10,109)**	(14,985)	**-**	-
Deferred acquisition costs	**(9,669)**	(1,827)	**-**	-
Insurance contract liabilities	**196,851**	277,979	**-**	-
Insurance payables	**(18,682)**	20,091	**-**	-
Other payables	**17,657**	6,997	**249**	234
Cash generated from operating activities	**915,652**	236,035	**40,501**	17,629
Dividend income received	**65,595**	77,906	**251,883**	273,584
Interest income received	**34,235**	27,186	**1,176**	1,864
Rental income on investment property received	**801**	665	**-**	-
Interest paid	**(1,253)**	(1,572)	**-**	-
Income tax paid	**(94,019)**	(103,640)	**(329)**	(423)
Net cash flows generated from operating activities	**921,011**	236,580	**293,231**	292,654

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Investing activities				
Proceeds from disposal of plant and equipment	**17**	3	**-**	-
Purchase of plant and equipment	**(4,840)**	(1,505)	**(3)**	(1)
Purchase of intangible assets	**(962)**	(2,845)	**-**	-
Net cash flows used in investing activities	**(5,785)**	(4,347)	**(3)**	(1)
Financing activities				
Dividends paid to owners of the Company	**(278,868)**	(290,820)	**(278,868)**	(290,820)
Payment of lease liabilities	**(6,861)**	(6,192)	**-**	-
Net cash flows used in financing activities	**(285,729)**	(297,012)	**(278,868)**	(290,820)
Net increase/ (decrease) in cash and cash equivalents	**629,497**	(64,779)	**14,360**	1,833
Cash and cash equivalents at 1 January	**87,900**	150,788	**5,704**	3,871
Effect of movement in exchange rates	**7,514**	1,891	**-**	-
Cash and cash equivalents at 31 December (Note 14)	**724,911**	87,900	**20,064**	5,704

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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 2022 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 7 February 2023.

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 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the abovementioned accounting standard and amendments is not expected to have any material financial impact to the financial statements of the Group and of the Company except as mentioned below:

MFRS 17, *Insurance Contracts*

The Group will apply MFRS 17 for the first time on 1 January 2023, replacing MFRS 4. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and are expected to have a material impact on the Group's financial statements in the period of initial application.

The Group has assessed the estimated impact that the initial application of MFRS 17 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after tax) is estimated to increase the Group's total equity as at 1 January 2022. The Group will restate comparative information on adoption of MFRS 17.

The assessment is preliminary because not all of the transition work has been finalised. The actual impact of adopting MFRS 17 on 1 January 2023 and 2022 may change because:

- the Group is continuing to refine the new accounting processes and internal controls required for applying MFRS 17;
- although parallel runs were carried out in the second half of 2022, the new systems and associated controls in place have not been operational for an extended period;
- the Group has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

i. Identifying contracts in the scope of MFRS 17

The Group does not expect significant changes for contracts that fall in the scope of MFRS 17 against the current MFRS 4.

ii. Level of aggregation

Under MFRS 17, insurance and reinsurance contracts are aggregated into groups for measurement purpose. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is divided into annual cohorts (i.e. by years of issuance and inception) and groups of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for including in an existing group, it forms a new group to which future contracts may be added. Reinsurance contracts are grouped on a similar basis of the underlying insurance contracts.

The level of aggregation requirements of MFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as Contractual Service Margin ("CSM"), against losses on group of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under MFRS 4 (i.e. portfolio of contracts level), the level of aggregation under MFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

iii. Contract boundaries

Under MFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Group expects that for certain contracts the MFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in MFRS 17.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

iii. Contract boundaries (continued)

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide insurance services.

A substantive obligation to provide services end when:

- The Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

iv. Measurement

Insurance contracts

On initial recognition, the Group will measure a group of contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money, and a risk adjustment for non-financial risk; and the CSM. The fulfilment cash flows of a group of contracts do not reflect the Group's non-performance risk but may reflect the non-payment risk of the Group's counterparties such as insurance intermediaries.

- The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the range of possible outcomes. Given that cash flows of general insurance contracts are generally short-term and do not vary based on market variables, the Group will use a deterministic model to estimate the expected value of the cash flows, based on assumptions in respect of loss ratios, claim developments and expected level of expenses of each individual group of contracts.
- All cash flows will be discounted using risk-free yield curves.
- The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Group would require for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk.
- The CSM of a group of contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the fulfilment cash flows and any cash flows arising at that date is a net inflow.

  In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows that relate to services that will be provided under the contracts in the future periods and any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

iv. Measurement (continued)

Insurance contracts (continued)

- The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses, or as other comprehensive income ("OCI")

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future service.

Reinsurance contracts

The Group will apply the same accounting policies to measure a group of reinsurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contract at each reporting date is the sum of the asset for remaining coverage and the assets for incurred claims. The asset for remaining coverage comprises the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date.

The Group will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in the insurance service result in profit or loss.

The risk adjustment for non-financial risk will represent the amount of risk being transferred by the Group to the reinsurer.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

iv. Measurement (continued)

Reinsurance contracts (continued)

The CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured such that no income or expense arises on initial recognition, except that the Group will:

- Recognise any net cost on purchasing reinsurance coverage immediately in profit or loss as an expense if it is related to insured events that occurred before the purchase of the group; and

- Recognise income when it recognises a loss on initial recognition of onerous underlying contracts if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. A loss-recovery component is created, which determines the amounts that are subsequently disclosed as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

The CSM is adjusted subsequently only for specified amounts and is recognised in profit or loss as services are received.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Insurance acquisition cash flows, other than commissions, are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Insurance acquisition cash flows that are directly attributable to a group of contracts (e.g. commissions paid on issuance of contracts) are allocated only to that group of contracts. The Group has not identified and will not recognise any insurance acquisition asset for insurance acquisition cash flows that arise before the recognition of a group of insurance contracts.

v. Significant judgements and estimates

Estimates of future cash flows

In estimating the future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date and current expectations of future events that might affect those cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

v. Significant judgements and estimates (continued)

Estimates of future cash flows (continued)

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities and other fulfilment activities either directly or estimated based on the type of activities performed by the respective business function. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics, such as based on total premiums, number of policies or number of claims.

Discount rates

The Group will generally determine risk-free discount rates using the observed yield curves of government securities. The yield curve will be interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate will be subject to revision, it is expected to be updated only on significant changes on long-term expectations. No adjustment for illiquidity premium is required given the relatively liquid nature of insurance payout on policy cancellation or insurance claim.

The requirement to measure liabilities for insurance contracts using current discount rates will be a significant change from the Group's current practice as the Group does not currently discount future cash flows.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. The Group will apply a confidence level technique to determine the risk adjustments for non-financial risk of both its insurance and reinsurance contracts.

Under a confidence level technique, the Group will estimate the probability distribution of the expected value of the future cash flows at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level will be 75 percent, in line with the regulatory requirement of Bank Negara Malaysia under the Risk-Based Capital Framework for Insurers.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

v. Significant judgements and estimates (continued)

Contractual service margin

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

vi. Presentation and disclosure

MFRS 17 will significantly change how insurance and reinsurance contracts are presented and disclosed in the Group's financial statements.

Under MFRS 17, portfolio of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities for cash flows arising before the recognition of the related group of contracts will also be presented in the same line item as the related portfolios of contracts.

Under MFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into an insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

Insurance service result

Insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service results.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately, because the Group will present them on a net basis as 'net expenses from reinsurance contracts' in the insurance service results.

The Group will choose to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

vi. Presentation and disclosure (continued)

Insurance finance income and expenses

Under MFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses.

The Group will choose to disaggregate insurance finance income or expenses between profit or loss and OCI. The amount included in profit or loss will be determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation will be determined using the discount rates determined on initial recognition of the group of contracts.

Disclosure

MFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying MFRS 17. There will also be expanded disclosures about the nature and extent of risk from insurance and reinsurance contracts. Disclosures will generally be made at a more granular level than under MFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

vii. Transition

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

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

vii. Transition (continued)

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

- The information required has not been collected with sufficient granularity or is unavailable without incurring a significant cost and effort due to the Group's data retention policies. Such information includes expectations about the profitability of group of contract and risks of it becoming onerous required for identifying groups of contracts, or information about historical cash flows required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;

- The full retrospective approach requires assumptions about what Group's management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight. Such assumptions and estimates include for example cash flows run-off patterns, discount rates, loss ratio assumptions to the required level of granularity.

Full retrospective approach

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

- Identify, recognise and measure each group of insurance and reinsurance contracts as if MFRS 17 had always been applied;

- Derecognise previously reported balances that would not have existed if MFRS 17 had always been applied;

- Recognise any resulting net difference in equity.

Modified retrospective approach

The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Group will apply each of the following modifications only to the extent it does not have reasonable and supportable information to apply MFRS 17 retrospectively:

- The Group will adopt the groupings identified as at the transition date for the contracts issued prior to the transition date;

- The Group will group all contracts prior to the transition date into a cohort for transition;

- The Group will determine the discount rate at initial recognition based on the discount rate at transition date; and

- The Group will apply the risk adjustment for non-financial risk at transition date for the expected release of risk before the transition date.

1. BASIS OF PREPARATION (CONTINUED)

(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

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
FOR THE YEAR ENDED 31 DECEMBER 2022

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 ("OCI") of the associated company, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associated company, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associated company.

When the Group ceases to have significant influence over an associated company, any retained interest in the former associated company at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associated company decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in OCI 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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 OCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in OCI, 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 OCI 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

Financial statements of Singapore Branch of a subsidiary (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and equipment (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(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 life of software for the current and comparative periods is 4 years.

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI – debt securities, FVOCI – equity securities or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group or the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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)).

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's 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
FOR THE YEAR ENDED 31 DECEMBER 2022

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's 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.

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.

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.

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's 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
FOR THE YEAR ENDED 31 DECEMBER 2022

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 statements 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 statements 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's or the Company's procedures for recovery of amounts due.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (continued)

(ii) Non-financial assets (continued)

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.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, if any, 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Reinsurance (continued)

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 statements 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).

(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 ("UPR") 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 UPR for all lines of business and the best estimate value of the unexpired risk reserves ("URR") at the required risk margin for adverse deviation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Provision for unearned premiums (continued)

UPR

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.

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.

URR

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs are inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

Provision for outstanding claims

Provision for outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of the reporting period. The liability is calculated at the reporting date by the appointed actuary using projection techniques as set out in Note 2(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General insurance underwriting results (continued)

Acquisition costs and deferred acquisition costs ("DAC")

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable that they give rise to income. Acquisition costs or ceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

Such costs are deferred to the extent that these are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised/ allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

(o) Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statements 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 OCI.

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 statements of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Other income recognition (continued)

(ii) Rental income

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six (6) months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in case of quoted equity securities is the ex-dividend date, unless the dividend clearly represents a recovery of part of the cost of the investment.

(r) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group or the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's or the Company's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group or the Company has no further payment obligations.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

(ii) Recognition and initial measurement (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases (continued)

(iii) Subsequent measurement (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

When measuring the fair value of an asset or a liability, the Group or the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group or the Company can assess at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group or the Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. PLANT AND EQUIPMENT

Group	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2021	1,965	7,488	10,477	35,474	3,113	615	59,132
Additions	7	344	15	756	-	383	1,505
Disposals	-	(76)	-	(11)	-	-	(87)
Written off	(1)	(1)	-	(19)	-	-	(21)
Reclassification	-	316	591	-	-	(907)	-
Effect of movement in exchange rates	1	4	23	10	10	-	48
At 31 December 2021/ 1 January 2022	**1,972**	**8,075**	**11,106**	**36,210**	**3,123**	**91**	**60,577**
Additions	**18**	**505**	**298**	**2,154**	**797**	**1,068**	**4,840**
Disposals	**-**	**(54)**	**-**	**(845)**	**-**	**-**	**(899)**
Written off	**(310)**	**(189)**	**(155)**	**(301)**	**-**	**-**	**(955)**
Reclassification	**-**	**194**	**965**	**-**	**-**	**(1,159)**	**-**
Effect of movement in exchange rates	**3**	**15**	**98**	**47**	**46**	**-**	**209**
At 31 December 2022	**1,683**	**8,546**	**12,312**	**37,265**	**3,966**	**-**	**63,772**

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 2021		1,656	6,728	8,640	33,231	2,454	-	52,709
Depreciation for the year	28	169	412	869	1,276	496	-	3,222
Disposals		-	(76)	-	(11)	-	-	(87)
Written off		(1)	(1)	-	(19)	-	-	(21)
Effect of movement in exchange rates		1	5	17	8	6	-	37
At 31 December 2021/ 1 January 2022		**1,825**	**7,068**	**9,526**	**34,485**	**2,956**	**-**	**55,860**
Depreciation for the year	28	**124**	**500**	**791**	**1,188**	**238**	**-**	**2,841**
Disposals		**-**	**(54)**	**-**	**(845)**	**-**	**-**	**(899)**
Written off		**(310)**	**(189)**	**(155)**	**(301)**	**-**	**-**	**(955)**
Effect of movement in exchange rates		**4**	**15**	**92**	**39**	**39**	**-**	**189**
At 31 December 2022		**1,643**	**7,340**	**10,254**	**34,566**	**3,233**	**-**	**57,036**
Carrying amounts								
At 1 January 2021		**309**	**760**	**1,837**	**2,243**	**659**	**615**	**6,423**
At 31 December 2021/ 1 January 2022		**147**	**1,007**	**1,580**	**1,725**	**167**	**91**	**4,717**
At 31 December 2022		**40**	**1,206**	**2,058**	**2,699**	**733**	**-**	**6,736**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Computers RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2021		-	608	608
Additions		1	-	1
At 31 December 2021/ 1 January 2022		**1**	**608**	**609**
Additions		**3**	**-**	**3**
At 31 December 2022		**4**	**608**	**612**
Accumulated depreciation				
At 1 January 2021		-	537	537
Depreciation for the year	28	-	71	71
At 31 December 2021/ 1 January 2022		**-**	**608**	**608**
Depreciation for the year	28	**1**	**-**	**1**
At 31 December 2022		**1**	**608**	**609**
Carrying amounts				
At 1 January 2021		-	71	71
At 31 December 2021/ 1 January 2022		**1**	**-**	**1**
At 31 December 2022		**3**	**-**	**3**

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At cost				
Office equipment	**1,098**	1,284	**-**	-
Furniture and fittings	**6,061**	6,159	**-**	-
Renovation	**8,411**	6,846	**-**	-
Computers	**31,392**	30,152	**-**	-
Motor vehicles	**2,531**	645	**608**	608

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 2021		41,346	881	42,227
Additions	17.1	12,017	111	12,128
Depreciation for the year	28	(6,376)	(278)	(6,654)
Effect of movement in exchange rates		118	2	120
At 31 December 2021/ 1 January 2022		**47,105**	**716**	**47,821**
Additions	17.1	**1,703**	**191**	**1,894**
Depreciation for the year	28	**(6,799)**	**(253)**	**(7,052)**
Effect of movement in exchange rates		**701**	**8**	**709**
At 31 December 2022		**42,710**	**662**	**43,372**

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 2022, the Group has included all potential future cash flows of exercising the extension options in the lease liabilities.

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.

5. INVESTMENT PROPERTIES

Group	Note	2022 RM'000	2021 RM'000
At 1 January		**27,316**	27,572
Change in fair value recognised in profit or loss	24	**1,043**	(618)
Effect of movement in exchange rates		**1,503**	362
At 31 December		**29,862**	27,316

Investment properties comprise commercial properties that are leased to third parties. Each of the lease 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	2022 RM'000	2021 RM'000
Lease income	20, 22	**801**	665
Direct operating expenses		**(93)**	(115)

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

Group	2022 RM'000	2021 RM'000
Less than one year	**830**	620
One to two years	**279**	791
Total	**1,109**	1,411

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. INVESTMENT PROPERTIES (CONTINUED)

Fair value information

Fair value of investment properties are categorised as follows:

Group	2022 RM'000	2021 RM'000
Level 2 fair value		
Buildings	**29,862**	27,316

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 (2021: no transfer).

6. INTANGIBLE ASSETS

Group	Note	Software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost				
At 1 January 2021		14,117	955	15,072
Additions		932	1,913	2,845
Reclassification		438	(438)	-
Effect of movement in exchange rates		18	-	18
At 31 December 2021/ 1 January 2022		**15,505**	**2,430**	**17,935**
Additions		**437**	**525**	**962**
Reclassification		**2,300**	**(2,300)**	**-**
Written off		**(92)**	**-**	**(92)**
Effect of movement in exchange rates		**79**	**-**	**79**
At 31 December 2022		**18,229**	**655**	**18,884**
Amortisation				
At 1 January 2021		6,122	-	6,122
Amortisation for the year	28	3,398	-	3,398
Effect of movement in exchange rates		14	-	14
At 31 December 2021/ 1 January 2022		**9,534**	**-**	**9,534**
Amortisation for the year	28	**3,928**	**-**	**3,928**
Written off		**(92)**	**-**	**(92)**
Effect of movement in exchange rates		**74**	**-**	**74**
At 31 December 2022		**13,444**	**-**	**13,444**
Carrying amounts				
At 1 January 2021		7,995	955	8,950
At 31 December 2021/ 1 January 2022		**5,971**	**2,430**	**8,401**
At 31 December 2022		**4,785**	**655**	**5,440**

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FOR THE YEAR ENDED 31 DECEMBER 2022

6. INTANGIBLE ASSETS (CONTINUED)

Company	Note	Software RM'000
Cost		
At 1 January 2021/ 31 December 2021		37
At 1 January 2022/ 31 December 2022		**37**
Amortisation		
At 1 January 2021		12
Amortisation for the year	28	9
At 31 December 2021/ 1 January 2022		**21**
Amortisation for the year	28	**9**
At 31 December 2022		**30**
Carrying amounts		
At 1 January 2021		25
At 31 December 2021/ 1 January 2022		**16**
At 31 December 2022		**7**

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 life as part of 'management expenses'.

7. INVESTMENT IN A SUBSIDIARY

	2022 RM'000	2021 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 2022 %	2021 %
Lonpac Insurance Bhd	Underwriting of general insurance	**100**	100

8. INVESTMENT IN AN ASSOCIATED COMPANY

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
At cost				
Unquoted shares	**10,833**	10,833	**10,833**	10,833
Share of post-acquisition reserves*	**25,297**	24,489	**-**	-
Effect of movement in exchange rates	**6,257**	4,124	**-**	-
	42,387	39,446	**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 2022	2021
Campu Lonpac Insurance Plc	Cambodia	Underwriting of general insurance is the Group's strategic investment in providing access to Cambodia market	**45%**	45%

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:

	2022 RM'000	2021 RM'000
Group's share of results for the year ended 31 December		
Group's share of profit or loss from continuing operations	**808**	2,749
Effect of movement in exchange rates	**2,133**	1,376
	2,941	4,125

9. OTHER INVESTMENTS

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At fair value				
Investment in securities designated at FVOCI				
Equity securities in a corporation Quoted in Malaysia	**951,672**	916,424	**918,447**	884,430

The Group's and the Company's investment in equity securities of a corporation quoted in Malaysia is an investment in ordinary shares of Public Bank Berhad, a company which is under common significant influence with the Group and the Company.

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9. OTHER INVESTMENTS (CONTINUED)

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

	Group	
	2022 RM'000	2021 RM'000
At fair value		
Investment mandatorily measured at FVTPL		
Unit trusts in Malaysia	**896,981**	982,477
Real estate investment trusts ("REITs")		
Quoted in Malaysia	**3,165**	3,211
Exchange-traded fund ("ETF")		
Quoted outside Malaysia	**587**	668
Equity securities in corporations		
Quoted outside Malaysia	**4,180**	3,791
Unquoted in Malaysia	**1,472**	1,392
	5,652	5,183
Corporate bonds and sukuk		
Unquoted in Malaysia	**227,537**	139,842
Unquoted outside Malaysia	**6,412**	6,413
	233,949	146,255
Total FVTPL	**1,140,334**	1,137,794

Included in the Group's investments in unquoted corporate bonds and sukuk are investments in bonds issued by Public Bank Berhad, a company which is under common significant influence with the Group and the Company, with a carrying value of RM29,758,000 (2021: RM25,347,000).

9. OTHER INVESTMENTS (CONTINUED)

(c) Amortised cost ("AC")

Group	Note	2022 Carrying value RM'000	2022 Fair value RM'000	2021 Carrying value RM'000	2021 Fair value RM'000
At amortised cost					
Malaysian government securities		**15,300**	**14,897**	15,358	15,366
Government investment issues		**39,795**	**38,981**	19,817	19,788
Malaysian government guaranteed loans		**85,000**	**84,035**	50,000	50,298
		140,095	**137,913**	85,175	85,452
Corporate bonds and sukuk					
Unquoted in Malaysia		**35,000**	**34,742**	10,000	9,836
Unquoted outside Malaysia		**15,718**	**15,118**	19,642	19,924
		50,718	**49,860**	29,642	29,760
Allowance for impairment	35.4	**(6)**	**-**	(6)	-
		50,712	**49,860**	29,636	29,760
Total AC		**190,807**	**187,773**	114,811	115,212

Included in the Group's investment in unquoted corporate bonds and sukuk is an investment in bonds issued by Public Bank Berhad, a company which is under common significant influence with the Group and the Company, with a carrying value of RM5,000,000 (2021: RM5,000,000).

(d) Estimation of fair values

The fair values of quoted securities, REITs and ETF are their last quoted prices and unit trusts are their published Net Asset Value ("NAV") unit prices at the end of the reporting period.

The estimated fair values of Malaysian government securities, government investment issues, 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.

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9. OTHER INVESTMENTS (CONTINUED)

(d) Estimation of fair values (continued)

The following debt securities mature after 12 months:

	Group 2022 RM'000	Group 2021 RM'000
FVTPL	**223,914**	105,879
AC	**182,565**	105,160

(e) Carrying values of other investments

Group	FVOCI RM'000	FVTPL RM'000	AC RM'000	Total RM'000
At 1 January 2021	907,613	891,405	52,944	1,851,962
Addition/ Dividend	-	327,122	76,728	403,850
Disposal/ Maturity	-	(35,371)	(15,000)	(50,371)
Fair value gain/ (loss) recorded in:				
Profit or loss	-	(45,468)	-	(45,468)
Other comprehensive income	8,762	-	-	8,762
Amortisation	-	(36)	(34)	(70)
Accretion	-	-	5	5
Net impairment loss	-	-	(1)	(1)
Effect of movement in exchange rates	49	142	169	360
At 31 December 2021/ 1 January 2022	**916,424**	**1,137,794**	**114,811**	**2,169,029**
Addition/ Dividend	**-**	**1,223,213**	**84,955**	**1,308,168**
Disposal/ Maturity	**-**	**(1,211,894)**	**(9,890)**	**(1,221,784)**
Fair value gain/ (loss) recorded in:				
Profit or loss	**-**	**(9,339)**	**-**	**(9,339)**
Other comprehensive income	**35,036**	**-**	**-**	**35,036**
Amortisation	**-**	**(39)**	**(173)**	**(212)**
Accretion	**-**	**-**	**24**	**24**
Effect of movement in exchange rates	**212**	**599**	**1,080**	**1,891**
At 31 December 2022	**951,672**	**1,140,334**	**190,807**	**2,282,813**

9. OTHER INVESTMENTS (CONTINUED)

(e) Carrying values of other investments (continued)

Company	FVOCI RM'000
At 1 January 2021	875,926
Fair value gain recorded in:	
Other comprehensive income	8,504
At 31 December 2021/ 1 January 2022	**884,430**
Fair value gain recorded in:	
Other comprehensive income	**34,017**
At 31 December 2022	**918,447**

10. DEFERRED TAX ASSETS/ (LIABILITIES)

Recognised deferred tax assets/ (liabilities)

Recognised deferred tax assets/ (liabilities) are attributable to the following:

	Group 2022 RM'000	Group 2021 RM'000
Other investments at fair value through other comprehensive income ("FVOCI")	**(3,099)**	(3,018)
Other investments at fair value through profit or loss ("FVTPL")	**1,731**	9,427
Allowance for impairment	**451**	652
	(917)	7,061

10. DEFERRED TAX ASSETS/ (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 2021		(2,995)	(1,541)	631	(3,905)
Recognised in profit or loss	30	-	10,968	21	10,989
Recognised in other comprehensive income	30	(23)	-	-	(23)
At 31 December 2021/ 1 January 2022		**(3,018)**	**9,427**	**652**	**7,061**
Recognised in profit or loss	30	**-**	**(7,696)**	**(201)**	**(7,897)**
Recognised in other comprehensive income	30	**(81)**	**-**	**-**	**(81)**
At 31 December 2022		**(3,099)**	**1,731**	**451**	**(917)**

11. REINSURANCE ASSETS

	Note	Group 2022 RM'000	Group 2021 RM'000
Reinsurance of insurance contracts			
Claims liabilities	16	**1,142,900**	1,077,542
Premium liabilities	16	**211,824**	194,410
		1,354,724	1,271,952

NOTES TO THE FINANCIAL STATEMENTS
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12(a). LOANS AND RECEIVABLES, EXCLUDING INSURANCE RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Staff loans				
Receivable within twelve months	**1,906**	2,142	**-**	-
Receivable after twelve months	**17,248**	19,537	**-**	-
	19,154	21,679	**-**	-
Fixed and call deposits with licensed financial institutions with maturity more than three months				
Licensed banks in Malaysia	**306,108**	784,891	**21,700**	70,000
Banks outside Malaysia	**19,073**	141,623	**-**	-
	325,181	926,514	**21,700**	70,000
Other receivables				
Due from Malaysian Motor Insurance Pool	**40,708**	44,867	**-**	-
Other receivables, deposits and prepayments	**4,323**	3,792	**27**	50
Income due and accrued	**8,923**	10,544	**240**	614
	53,954	59,203	**267**	664
Total loans and receivables	**398,289**	1,007,396	**21,967**	70,664

Included in the fixed and call deposits of the Group are RM85,190,000 (2021: RM69,415,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 19).

The following loans and receivables mature after 12 months:

	Group	
	2022 RM'000	2021 RM'000
Staff loans	**17,248**	19,537
Fixed and call deposits	**-**	96
	17,248	19,633

Estimation of fair values

The fair values of 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.

12(b). INSURANCE RECEIVABLES

		Group	
	Note	2022 RM'000	2021 RM'000
Due premiums including agents, brokers and co-insurers balances		**163,791**	173,282
Due from reinsurers and cedants		**27,906**	7,608
		191,697	180,890
Allowance for impairment	35.4	**(1,891)**	(2,730)
		189,806	178,160

13. DEFERRED ACQUISITION COSTS

		Group	
	Note	2022 RM'000	2021 RM'000
Gross of reinsurance			
At 1 January		**86,737**	84,970
Movement during the year	25	**15,119**	1,633
Effect of movement in exchange rates		**671**	134
At 31 December		**102,527**	86,737
Reinsurance			
At 1 January		**(41,132)**	(41,214)
Movement during the year	25	**(5,449)**	194
Effect of movement in exchange rates		**(502)**	(112)
At 31 December		**(47,083)**	(41,132)
Net of reinsurance			
At 1 January		**45,605**	43,756
Movement during the year		**9,670**	1,827
Effect of movement in exchange rates		**169**	22
At 31 December		**55,444**	45,605

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortised cost				
Cash and bank balances	39,542	41,073	604	147
Fixed and call deposits with licensed financial institutions with maturity of three months or less				
Licensed banks in Malaysia	521,714	32,688	19,460	5,557
Banks outside Malaysia	163,655	14,139	-	-
	724,911	87,900	20,064	5,704

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 RM1,633,000 (2021: RM1,258,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 19).

15. CAPITAL AND RESERVES

15.1 Share capital

	Group and Company			
	2022		2021	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares, issued and fully paid with no par value				
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.

15.2 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.

15.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment in securities measured at fair value through other comprehensive income.

16. INSURANCE CONTRACT LIABILITIES

	2022			2021		
Group	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
General insurance	2,653,096	(1,354,724)	1,298,372	2,448,068	(1,271,952)	1,176,116

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

		2022			2021		
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		1,525,835	(969,090)	556,745	1,167,657	(707,546)	460,111
Provision for claims incurred but not yet reported		282,902	(173,810)	109,092	511,532	(369,996)	141,536
Provision for outstanding claims	16.1	1,808,737	(1,142,900)	665,837	1,679,189	(1,077,542)	601,647
Provision for unearned premiums	16.3	844,359	(211,824)	632,535	768,879	(194,410)	574,469
		2,653,096	(1,354,724)	1,298,372	2,448,068	(1,271,952)	1,176,116
			Note 11			Note 11	

NOTES TO THE FINANCIAL STATEMENTS
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16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

16.1 Provision for outstanding claims

		2022			2021		
Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		**1,679,189**	**(1,077,542)**	**601,647**	1,349,068	(777,420)	571,648
Claims incurred for the current accident year (direct and facultative)		**804,574**	**(321,515)**	**483,059**	601,076	(185,300)	415,776
Adjustment to claims incurred in prior accident years (direct and facultative)		**204,317**	**(251,909)**	**(47,592)**	3,691	(54,040)	(50,349)
Claims incurred during the year (treaty inwards claims)		**(2,949)**	**-**	**(2,949)**	(1,488)	-	(1,488)
Movement in PRAD of claims liabilities at 75% confidence level		**(192,011)**	**195,634**	**3,623**	265,261	(260,966)	4,295
Movement in claims handling expenses		**(651)**	**-**	**(651)**	1,435	-	1,435
Claims paid during the year	27	**(688,126)**	**313,172**	**(374,954)**	(540,991)	200,473	(340,518)
Effect of movement in exchange rates		**4,394**	**(740)**	**3,654**	1,137	(289)	848
At 31 December	16.2, 27	**1,808,737**	**(1,142,900)**	**665,837**	1,679,189	(1,077,542)	601,647

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

16.2 Provision for outstanding claims by business

		2022			2021		
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	**504,132**	**1,304,605**	**1,808,737**	458,516	1,220,673	1,679,189
Reinsurance		**(56,105)**	**(1,086,795)**	**(1,142,900)**	(64,123)	(1,013,419)	(1,077,542)
Net claims	34	**448,027**	**217,810**	**665,837**	394,393	207,254	601,647

16.3 Provision for unearned premiums

		2022			2021		
Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		**768,879**	**(194,410)**	**574,469**	819,055	(242,586)	576,469
Premiums written during the year	21	**1,628,844**	**(584,163)**	**1,044,681**	1,561,037	(551,648)	1,009,389
Premiums earned during the year	21	**(1,557,147)**	**568,261**	**(988,886)**	(1,612,042)	600,160	(1,011,882)
Effect of movement in exchange rates		**3,783**	**(1,512)**	**2,271**	829	(336)	493
At 31 December		**844,359**	**(211,824)**	**632,535**	768,879	(194,410)	574,469

17. LEASE LIABILITIES

Leases as lessee

	Group	
	2022 RM'000	2021 RM'000
Lease liabilities are payable as follows:		
- Within next 12 months	**6,843**	6,721
- After next 12 months	**38,541**	42,909
	45,384	49,630

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17. LEASE LIABILITIES (CONTINUED)

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

		Group	
	Note	2022 RM'000	2021 RM'000
At 1 January		**49,630**	43,571
Net changes from financing cash flows		**(6,861)**	(6,192)
Acquisition of new lease	4	**1,894**	12,128
Effect of movement in exchange rates		**721**	123
At 31 December		**45,384**	49,630

17.2 Amounts recognised in statements of cash flows

		Group	
	Note	2022 RM'000	2021 RM'000
Included in net cash from operating activities:			
Interest on lease liabilities		**(1,253)**	(1,572)
Payment relating to short-term leases	28	**(99)**	(63)
Payment relating to leases of low-value assets	28	**(476)**	(502)
Included in net cash from financing activities:			
Payment of lease liabilities		**(6,861)**	(6,192)
Total cash outflows for leases		**(8,689)**	(8,329)

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	
	2022 RM'000	2021 RM'000
Up to one year	**7,969**	7,949
1 to 3 years	**14,630**	14,954
3 to 5 years	**13,526**	12,708
5 to 15 years	**13,872**	19,562
Total undiscounted lease liabilities at 31 December	**49,997**	55,173

The interest rate of the lease liabilities ranging from 0.8% to 10.9% (2021: 0.8% to 10.7%).

18. INSURANCE PAYABLES

	Group	
	2022 RM'000	2021 RM'000
Due to reinsurers and cedants	**82,614**	107,574
Due to agents, brokers, co-insurers and insured	**19,497**	13,056
	102,111	120,630

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

19. OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash collateral deposits received from policyholders	**92,172**	75,685	**-**	-
Deposit premiums	**181**	70	**-**	-
Other payables	**15,374**	15,200	**-**	-
Accrued expenses	**21,791**	19,618	**2,375**	2,126
	129,518	110,573	**2,375**	2,126

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

20. OPERATING REVENUE

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gross earned premiums	21	**1,557,147**	1,612,042	**-**	-
Dividend income		**65,595**	77,906	**251,883**	273,584
Interest income (net of amortisation of premiums and accretion of discounts)		**34,047**	27,121	**1,176**	1,864
Rental of premises	5, 22	**801**	665	**-**	-
		1,657,590	1,717,734	**253,059**	275,448

21. UNDERWRITING RESULTS OF INSURANCE FUND

		Fire		Motor		Marine, aviation & transit		Miscellaneous		Total	
Group	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gross written premiums		**659,381**	630,995	**371,341**	356,604	**97,889**	95,574	**500,233**	477,864	**1,628,844**	1,561,037
Change in unearned premiums provision		**(20,066)**	(2,879)	**(9,101)**	9,985	**(2,869)**	(1,313)	**(39,661)**	45,212	**(71,697)**	51,005
Gross earned premiums	20	**639,315**	628,116	**362,240**	366,589	**95,020**	94,261	**460,572**	523,076	**1,557,147**	1,612,042
Gross written premiums ceded to reinsurers		**(248,147)**	(228,694)	**(21,636)**	(16,834)	**(78,094)**	(76,897)	**(236,286)**	(229,223)	**(584,163)**	(551,648)
Change in unearned premiums provision		**9,520**	4,364	**175**	(209)	**1,887**	314	**4,320**	(52,981)	**15,902**	(48,512)
Premiums ceded to reinsurers		**(238,627)**	(224,330)	**(21,461)**	(17,043)	**(76,207)**	(76,583)	**(231,966)**	(282,204)	**(568,261)**	(600,160)
Net earned premiums		**400,688**	403,786	**340,779**	349,546	**18,813**	17,678	**228,606**	240,872	**988,886**	1,011,882

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21. UNDERWRITING RESULTS OF INSURANCE FUND (CONTINUED)

		Fire		Motor		Marine, aviation & transit		Miscellaneous		Total	
Group	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net claims incurred	27	**(56,116)**	(51,551)	**(262,850)**	(212,346)	**(6,394)**	(5,990)	**(110,130)**	(99,782)	**(435,490)**	(369,669)
Commission income	25	**51,554**	47,017	**1,806**	1,926	**9,702**	8,374	**55,688**	55,559	**118,750**	112,876
Commission expense	25	**(73,876)**	(72,495)	**(34,861)**	(35,227)	**(5,774)**	(4,521)	**(63,155)**	(62,441)	**(177,666)**	(174,684)
Net commission		**(22,322)**	(25,478)	**(33,055)**	(33,301)	**3,928**	3,853	**(7,467)**	(6,882)	**(58,916)**	(61,808)
Total out-go		**(78,438)**	(77,029)	**(295,905)**	(245,647)	**(2,466)**	(2,137)	**(117,597)**	(106,664)	**(494,406)**	(431,477)
Underwriting surplus before management expenses		**322,250**	326,757	**44,874**	103,899	**16,347**	15,541	**111,009**	134,208	**494,480**	580,405
Management expenses of the insurance fund										**(209,360)**	(200,711)
Underwriting surplus after management expenses										**285,120**	379,694
Net claims incurred ratio (%)		**14.0**	12.8	**77.1**	60.7	**34.0**	33.9	**48.2**	41.4	**44.0**	36.5

22. INVESTMENT INCOME

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Fair value through other comprehensive income financial assets					
Dividend income					
- Equity securities quoted in Malaysia	37(a)	**43,431**	45,167	**41,883**	43,584
Fair value through profit or loss financial assets					
Dividend income					
- Equity securities quoted outside Malaysia		**119**	88	**-**	-
- Unquoted equity securities in Malaysia		**47**	94	**-**	-
- Unit trusts		**21,793**	32,364	**-**	-
- Real estate investment trusts ("REITs")		**172**	163	**-**	-
- Exchange-traded fund ("ETF")		**33**	30	**-**	-
Interest/ profit income					
- Corporate bonds and sukuk		**6,895**	4,895	**-**	-
Amortisation of premiums, net of accretion of discounts		**(39)**	(36)	**-**	-
Amortised cost					
Interest/ profit income					
- Malaysian government securities		**568**	122	**-**	-
- Government investment issues		**1,322**	317	**-**	-
- Malaysian government guaranteed loans		**2,630**	1,002	**-**	-
- Corporate bonds and sukuk		**1,265**	1,055	**-**	-
- Fixed and call deposits		**21,555**	19,795	**1,176**	1,864
Amortisation of premiums, net of accretion of discounts		**(149)**	(29)	**-**	-
Dividend income from unquoted subsidiary	37(a)	**-**	-	**210,000**	230,000
Rental of properties received from third parties	5, 20	**801**	665	**-**	-
Total investment income		**100,443**	105,692	**253,059**	275,448

23. REALISED GAINS

	Group 2022 RM'000	Group 2021 RM'000
Realised gains for:		
Gain on disposal of plant and equipment	**17**	3

24. FAIR VALUE GAINS AND LOSSES

	Note	Group 2022 RM'000	Group 2021 RM'000
Fair value gains for:			
Investment properties	5	**1,043**	-
Fair value through profit or loss financial assets			
Equity securities in corporations			
- Quoted outside Malaysia		**181**	401
- Unquoted in Malaysia		**80**	17
		1,304	418
Fair value losses for:			
Investment properties	5	**-**	(618)
Fair value through profit or loss financial assets			
Unit trusts in Malaysia		**(6,815)**	(40,907)
Real estate investment trusts ("REITs")			
- Quoted in Malaysia		**(46)**	(109)
Exchange-traded fund ("ETF")			
- Quoted outside Malaysia		**(118)**	(11)
Corporate bonds and sukuk			
- Unquoted in Malaysia		**(2,306)**	(4,726)
- Unquoted outside Malaysia		**(315)**	(133)
		(9,600)	(46,504)

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25. COMMISSION INCOME/ (EXPENSE)

	Note	Group 2022 RM'000	Group 2021 RM'000
Commission income			
Commission income		**124,199**	112,682
Movement in deferred acquisition costs	13	**(5,449)**	194
Total commission income	21	**118,750**	112,876
Commission expense			
Commission expense		**(192,785)**	(176,317)
Movement in deferred acquisition costs	13	**15,119**	1,633
Total commission expense	21	**(177,666)**	(174,684)

26. OTHER OPERATING INCOME

	Group 2022 RM'000	Group 2021 RM'000
Interest on staff car loans	**3**	7
Interest on staff housing loans	**304**	346
Interest on bank balance	**17**	-
Sundry income	**3,450**	2,350
	3,774	2,703

27. NET CLAIMS INCURRED

	Note	Group 2022 RM'000	Group 2021 RM'000
Gross claims paid less salvage	16.1	**688,126**	540,991
Claims ceded to reinsurers	16.1	**(313,172)**	(200,473)
Net claims paid	16.1	**374,954**	340,518
Gross change in claims liabilities:			
At 31 December	16.1	**1,808,737**	1,679,189
At 1 January	16.1	**(1,679,189)**	(1,349,068)
Effect of movement in exchange rates		**(4,394)**	(1,137)
		125,154	328,984
Change in claims liabilities ceded to reinsurers:			
At 31 December	16.1	**(1,142,900)**	(1,077,542)
At 1 January	16.1	**1,077,542**	777,420
Effect of movement in exchange rates		**740**	289
		(64,618)	(299,833)
	21	**435,490**	369,669

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28. MANAGEMENT EXPENSES

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Personnel expenses (including key management personnel)					
Company's Directors					
- Directors' fees	29	**2,320**	2,343	**1,610**	1,603
- Directors' remuneration	29	**4,002**	3,903	**3,589**	3,507
Subsidiary's Directors					
- Directors' fees	29	**840**	810	**-**	-
- Directors' remuneration	29	**2,411**	2,373	**-**	-
Wages, salaries and others		**127,878**	122,687	**716**	729
Contributions to Employees' Provident Fund		**14,033**	13,625	**79**	80
		151,484	145,741	**5,994**	5,919
Auditors' remuneration					
Auditors of the Company					
- Statutory audit		**615**	473	**95**	90
- Other services		**104**	106	**5**	5
Affiliates of auditors of the Company					
- Statutory audit		**359**	324	**-**	-
- Other services		**61**	533	**7**	189
Bad debts (recovered)/ written off		**(4)**	539	**-**	-
Depreciation of plant and equipment	3	**2,841**	3,222	**1**	71
Depreciation of right-of-use assets	4	**7,052**	6,654	**-**	-
Amortisation of intangible assets	6	**3,928**	3,398	**9**	9
Expenses relating to short-term leases	17.2	**99**	63	**47**	43
Expenses relating to leases of low-value assets	17.2	**476**	502	**-**	-
Realised foreign exchange loss/ (gain)		**4**	(53)	**-**	-
Unrealised foreign exchange gain		**(502)**	(311)	**-**	-
Other expenses		**50,407**	45,262	**2,297**	1,528
Total management expenses		**216,924**	206,453	**8,455**	7,854

29. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Group 2022	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**	**1,476**	**1,415**	**347**	**7**	**29**	**3,424**
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow (demised on 12 December 2022)	**450**	**-**	**-**	**-**	**8**	**27**	**485**
- Tee Choon Yeow	**460**	**-**	**-**	**-**	**170**	**-**	**630**
- Lee Chin Guan	**330**	**-**	**-**	**-**	**165**	**-**	**495**
- Quah Poh Keat	**300**	**-**	**-**	**-**	**147**	**-**	**447**
- Chan Kwai Hoe	**330**	**-**	**-**	**-**	**159**	**-**	**489**
- Soo Chow Lai	**150**	**-**	**-**	**-**	**54**	**-**	**204**
- Dato' Chia Lee Kee	**150**	**-**	**-**	**-**	**54**	**-**	**204**
	2,170	**-**	**-**	**-**	**757**	**27**	**2,954**
Total Directors' remuneration (including benefits-in-kind)	**2,320**	**1,476**	**1,415**	**347**	**764**	**56**	**6,378**
Other key management personnel							
Executive Director and Chief Executive Officer of subsidiary							
- Looi Kong Meng	**150**	**1,008**	**756**	**211**	**18**	**23**	**2,166**
Non-Executive Directors of subsidiary							
- Mohd Suffian Bin Haji Haron	**180**	**-**	**-**	**-**	**111**	**-**	**291**
- Wong Ah Kow	**180**	**-**	**-**	**-**	**107**	**-**	**287**
- Ng Chwe Hwa	**150**	**-**	**-**	**-**	**109**	**-**	**259**
- Woo Chew Hong	**180**	**-**	**-**	**-**	**91**	**-**	**271**
	690	**-**	**-**	**-**	**418**	**-**	**1,108**
Total other key management personnel remuneration (including benefits-in-kind)	**840**	**1,008**	**756**	**211**	**436**	**23**	**3,274**
Total Directors' and other key management personnel remuneration (including benefits-in-kind)	**3,160**	**2,484**	**2,171**	**558**	**1,200**	**79**	**9,652**

29. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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

Group 2021	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	1,368	1,453	339	9	37	3,356
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	450	-	-	-	9	35	494
- Tee Choon Yeow	460	-	-	-	156	-	616
- Lee Chin Guan	360	-	-	-	156	-	516
- Quah Poh Keat	300	-	-	-	147	-	447
- Chan Kwai Hoe	330	-	-	-	156	-	486
- Soo Chow Lai	150	-	-	-	57	-	207
- Dato' Chia Lee Kee	143	-	-	-	53	-	196
	2,193	-	-	-	734	35	2,962
Total Directors' remuneration (including benefits-in-kind)	2,343	1,368	1,453	339	743	72	6,318
Other key management personnel							
Executive Director and Chief Executive Officer of subsidiary							
- Looi Kong Meng	150	936	800	208	24	30	2,148
Non-Executive Directors of subsidiary							
- Mohd Suffian Bin Haji Haron	180	-	-	-	102	-	282
- Wong Ah Kow	180	-	-	-	102	-	282
- Ng Chwe Hwa	150	-	-	-	102	-	252
- Woo Chew Hong	150	-	-	-	99	-	249
	660	-	-	-	405	-	1,065
Total other key management personnel remuneration (including benefits-in-kind)	810	936	800	208	429	30	3,213
Total Directors' and other key management personnel remuneration (including benefits-in-kind)	3,153	2,304	2,253	547	1,172	102	9,531

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29. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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

Company 2022	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**	**1,476**	**1,415**	**347**	**7**	**29**	**3,424**
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow (demised on 12 December 2022)	**450**	**-**	**-**	**-**	**8**	**-**	**458**
- Tee Choon Yeow	**230**	**-**	**-**	**-**	**60**	**-**	**290**
- Lee Chin Guan	**180**	**-**	**-**	**-**	**60**	**-**	**240**
- Quah Poh Keat	**150**	**-**	**-**	**-**	**48**	**-**	**198**
- Chan Kwai Hoe	**150**	**-**	**-**	**-**	**60**	**-**	**210**
- Soo Chow Lai	**150**	**-**	**-**	**-**	**54**	**-**	**204**
- Dato' Chia Lee Kee	**150**	**-**	**-**	**-**	**54**	**-**	**204**
	1,460	**-**	**-**	**-**	**344**	**-**	**1,804**
Total Directors' remuneration (including benefits-in-kind)	**1,610**	**1,476**	**1,415**	**347**	**351**	**29**	**5,228**
2021							
Executive Director and Chief Executive Officer							
- Tan Kok Guan	150	1,368	1,453	339	9	37	3,356
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	450	-	-	-	9	-	459
- Tee Choon Yeow	230	-	-	-	57	-	287
- Lee Chin Guan	180	-	-	-	57	-	237
- Quah Poh Keat	150	-	-	-	48	-	198
- Chan Kwai Hoe	150	-	-	-	57	-	207
- Soo Chow Lai	150	-	-	-	57	-	207
- Dato' Chia Lee Kee	143	-	-	-	53	-	196
	1,453	-	-	-	338	-	1,791
Total Directors' remuneration (including benefits-in-kind)	1,603	1,368	1,453	339	347	37	5,147

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30. TAX EXPENSE

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Recognised in profit or loss					
Current tax expense					
Malaysian					
- current year		**88,275**	102,937	**275**	437
- prior years		**(1,229)**	(623)	**-**	-
Overseas					
- current year		**1,942**	1,191	**-**	-
- prior years		**(31)**	121	**-**	-
Total current tax recognised in profit or loss		**88,957**	103,626	**275**	437
Deferred tax expense/ (income)					
Malaysian					
- origination and reversal of temporary differences		**7,937**	(10,990)	**-**	-
Overseas					
- origination and reversal of temporary differences		**(40)**	1	**-**	-
Total deferred tax recognised in profit or loss	10	**7,897**	(10,989)	**-**	-
Share of tax of equity accounted associated company		**191**	204	**-**	-
Total income tax expense		**97,045**	92,841	**275**	437
Reconciliation of tax expense					
Profit for the year		**276,607**	344,679	**244,329**	267,157
Total taxation		**97,045**	92,841	**275**	437
Profit excluding tax		**373,652**	437,520	**244,604**	267,594
Income tax using Malaysian tax rate of 24% (2021: 24%)		**89,676**	105,005	**58,705**	64,223
Effect of additional 9% prosperity tax rate on the chargeable income in excess of RM100,000,000 (33%)		**17,247**	-	**-**	-
Effect of lower tax rates for reinsurance inwards		**-**	(176)	**-**	-
Difference in effective tax rate of equity accounted associated company		**(48)**	(504)	**-**	-
Non-deductible expenses		**4,489**	4,486	**2,022**	1,874
Tax exempt income		**(17,153)**	(18,589)	**(60,452)**	(65,660)
Other items		**4,094**	3,121	**-**	-
		98,305	93,343	**275**	437
Over provision in prior years		**(1,260)**	(502)	**-**	-
Tax expense		**97,045**	92,841	**275**	437

30. TAX EXPENSE (CONTINUED)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Recognised in other comprehensive income					
Items that will not be reclassified to profit or loss					
Fair value through other comprehensive income financial assets					
- Deferred tax	10	**81**	23	**-**	-

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 Group of RM276,607,000 (2021: RM344,679,000) and the weighted average number of ordinary shares outstanding during the year of 398,382,753 (2021: 398,382,753).

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary shares as there are no dilutive potential ordinary shares at 31 December 2022 and 31 December 2021.

32. DIVIDENDS

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

	Sen per share	Total amount RM'000	Date of payment
2022			
Second interim 2021 ordinary	**45.00**	**179,272**	**2 March 2022**
First interim 2022 ordinary	**25.00**	**99,596**	**25 August 2022**
Total amount		**278,868**	
2021			
Second interim 2020 ordinary	44.00	175,289	1 March 2021
First interim 2021 ordinary	29.00	115,531	1 September 2021
Total amount		290,820	

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 2022 ordinary single tier	35.00	139,434

The dividend will be payable on 2 March 2023 and will be recognised in subsequent financial period. The Directors do not propose any final dividend for the financial year ended 31 December 2022.

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

33. OPERATING SEGMENTS (CONTINUED)

	General insurance		Investment holding		Total	
Group	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Business segments						
External revenue	**1,614,531**	1,672,286	**43,059**	45,448	**1,657,590**	1,717,734
Inter-segment revenue	**-**	-	**210,000**	230,000	**210,000**	230,000
Total revenue	**1,614,531**	1,672,286	**253,059**	275,448	**1,867,590**	1,947,734
Segment profit before tax	**338,857**	399,722	**244,604**	267,594	**583,461**	667,316
Segment assets	**4,173,296**	3,933,989	**1,160,488**	1,160,815	**5,333,784**	5,094,804
Segment liabilities	**2,948,495**	2,751,549	**2,428**	2,233	**2,950,923**	2,753,782

	Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Geographical segments by location of customers/ assets								
Revenue from external customers	**1,536,432**	1,611,915	**121,158**	105,819	**-**	-	**1,657,590**	1,717,734
Segment assets	**4,838,292**	4,635,016	**425,850**	378,026	**(130,358)**	(118,238)	**5,133,784**	4,894,804

Reconciliation of reportable segment revenue, profit and assets.

Group	**2022 RM'000**	**2021 RM'000**
Revenue		
Total revenue for reportable segments	**1,867,590**	1,947,734
Elimination of inter-segment revenue	**(210,000)**	(230,000)
Consolidated revenue	**1,657,590**	1,717,734
Profit		
Total profit for reportable segments	**583,461**	667,316
Elimination of inter-segment profit	**(210,000)**	(230,000)
Consolidated profit before tax	**373,461**	437,316
Assets		
Total assets for reportable segments	**5,333,784**	5,094,804
Elimination of inter-segment assets	**(200,000)**	(200,000)
Consolidated assets	**5,133,784**	4,894,804

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.

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 statements 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.

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.

	2022			2021		
	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Motor	**371,341**	**(21,636)**	**349,705**	356,604	(16,834)	339,770
Fire	**659,381**	**(248,147)**	**411,234**	630,995	(228,694)	402,301
Marine, aviation and transit	**97,889**	**(78,094)**	**19,795**	95,574	(76,897)	18,677
Miscellaneous	**500,233**	**(236,286)**	**263,947**	477,864	(229,223)	248,641
	1,628,844	**(584,163)**	**1,044,681**	1,561,037	(551,648)	1,009,389

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

	2022			2021		
	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Motor	**698,734**	**(61,532)**	**637,202**	642,972	(69,349)	573,623
Fire	**955,175**	**(648,859)**	**306,316**	880,455	(594,558)	285,897
Marine, aviation and transit	**286,191**	**(269,723)**	**16,468**	296,091	(280,392)	15,699
Miscellaneous	**712,996**	**(374,610)**	**338,386**	628,550	(327,653)	300,897
	2,653,096	**(1,354,724)**	**1,298,372**	2,448,068	(1,271,952)	1,176,116

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.

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
2022					
Average claims cost	**+10%**	**184,051**	**67,102**	**(67,102)**	**(44,958)**
Average number of claims	**+10%**	**86,352**	**45,922**	**(45,922)**	**(30,768)**
Average claims settlement period	**Increased by 6 months**	**45,451**	**16,261**	**(16,261)**	**(10,895)**
2021					
Average claims cost	+10%	146,811	61,371	(61,371)	(46,642)
Average number of claims	+10%	75,846	42,795	(42,795)	(32,524)
Average claims settlement period	Increased by 6 months	36,255	14,931	(14,931)	(11,348)

* 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 incurred but not yet reported 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 Branch 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 2022 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.

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34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2022:

Group - Motor

Accident year	2014 and prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		**215,556**	**227,212**	**233,704**	**253,152**	**262,672**	**241,053**	**234,807**	**305,547**	**-**
One year later		**205,004**	**220,901**	**222,874**	**249,092**	**275,283**	**241,794**	**229,469**	**-**	**-**
Two years later		**199,141**	**220,560**	**219,253**	**250,041**	**298,870**	**245,453**	**-**	**-**	**-**
Three years later		**190,368**	**220,391**	**217,918**	**250,146**	**283,083**	**-**	**-**	**-**	**-**
Four years later		**188,277**	**217,234**	**218,024**	**246,783**	**-**	**-**	**-**	**-**	**-**
Five years later		**187,730**	**216,578**	**216,949**	**-**	**-**	**-**	**-**	**-**	**-**
Six years later		**183,275**	**212,943**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Seven years later		**182,681**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Current estimate of cumulative claims incurred		**182,681**	**212,943**	**216,949**	**246,783**	**283,083**	**245,453**	**229,469**	**305,547**	**1,922,908**
At end of accident year		**83,456**	**95,466**	**101,493**	**104,593**	**113,731**	**93,325**	**82,900**	**105,750**	**-**
One year later		**145,287**	**162,331**	**168,653**	**181,273**	**192,197**	**148,317**	**137,662**	**-**	**-**
Two years later		**165,652**	**188,973**	**190,361**	**206,025**	**217,271**	**177,769**	**-**	**-**	**-**
Three years later		**173,449**	**199,319**	**196,716**	**216,388**	**243,844**	**-**	**-**	**-**	**-**
Four years later		**177,052**	**206,586**	**201,873**	**224,581**	**-**	**-**	**-**	**-**	**-**
Five years later		**178,936**	**207,900**	**205,222**	**-**	**-**	**-**	**-**	**-**	**-**
Six years later		**179,833**	**210,004**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Seven years later		**182,138**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative payments to-date		**182,138**	**210,004**	**205,222**	**224,581**	**243,844**	**177,769**	**137,662**	**105,750**	**1,486,970**

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2022 (continued):

Group - Motor

	Note	2014 and prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		**271**	**543**	**2,939**	**11,727**	**22,202**	**39,239**	**67,684**	**91,807**	**199,797**	**436,209**
Gross general insurance outstanding liabilities (treaty inwards)											**49**
Gross general insurance outstanding liabilities (Malaysian Motor Insurance Pool)											**14,183**
Best estimate of claims liabilities											**450,441**
Claims handling expenses											**8,696**
Fund PRAD at 75% confidence level											**44,995**
Gross provision for outstanding claims	16.2										**504,132**

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34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2021:

Group - Motor

Accident year	2013 and prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		174,581	215,556	227,212	233,704	253,152	262,672	241,053	234,807	-
One year later		171,442	205,004	220,901	222,874	249,092	275,283	241,794	-	-
Two years later		168,537	199,141	220,560	219,253	250,041	298,870	-	-	-
Three years later		166,733	190,368	220,391	217,918	250,146	-	-	-	-
Four years later		163,151	188,277	217,234	218,024	-	-	-	-	-
Five years later		163,431	187,730	216,578	-	-	-	-	-	-
Six years later		159,172	183,275	-	-	-	-	-	-	-
Seven years later		160,069	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		160,069	183,275	216,578	218,024	250,146	298,870	241,794	234,807	1,803,563
At end of accident year		72,600	83,456	95,466	101,493	104,593	113,731	93,325	82,900	-
One year later		121,197	145,287	162,331	168,653	181,273	192,197	148,317	-	-
Two years later		141,315	165,652	188,973	190,361	206,025	217,271	-	-	-
Three years later		149,514	173,449	199,319	196,716	216,388	-	-	-	-
Four years later		153,226	177,052	206,586	201,873	-	-	-	-	-
Five years later		155,363	178,936	207,900	-	-	-	-	-	-
Six years later		156,263	179,833	-	-	-	-	-	-	-
Seven years later		159,155	-	-	-	-	-	-	-	-
Cumulative payments to-date		159,155	179,833	207,900	201,873	216,388	217,271	148,317	82,900	1,413,637

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2021 (continued):

Group - Motor

	Note	2013 and prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		285	914	3,442	8,678	16,151	33,758	81,599	93,477	151,907	390,211
Gross general insurance outstanding liabilities (treaty inwards)											82
Gross general insurance outstanding liabilities (Malaysian Motor Insurance Pool)											19,432
Best estimate of claims liabilities											409,725
Claims handling expenses											8,655
Fund PRAD at 75% confidence level											40,136
Gross provision for outstanding claims	16.2										458,516

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34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2022:

Group - Non-motor

Accident year	2014 and prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		299,458	315,598	403,374	545,692	377,393	639,568	366,982	501,383	-
One year later		349,137	287,273	360,709	498,007	387,114	654,511	727,086	-	-
Two years later		301,291	275,428	342,059	477,461	392,312	571,289	-	-	-
Three years later		287,233	267,125	324,134	465,676	374,242	-	-	-	-
Four years later		287,081	258,943	316,488	454,630	-	-	-	-	-
Five years later		287,514	259,516	320,913	-	-	-	-	-	-
Six years later		285,307	256,860	-	-	-	-	-	-	-
Seven years later		285,375	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		**285,375**	**256,860**	**320,913**	**454,630**	**374,242**	**571,289**	**727,086**	**501,383**	**3,491,778**
At end of accident year		73,827	110,409	122,442	132,996	155,203	142,500	121,631	123,804	-
One year later		228,703	216,755	251,088	293,846	257,839	296,504	389,419	-	-
Two years later		259,159	237,659	272,978	341,395	293,986	345,781	-	-	-
Three years later		267,323	243,546	287,849	376,482	307,703	-	-	-	-
Four years later		274,429	246,494	293,162	380,395	-	-	-	-	-
Five years later		275,610	246,750	297,324	-	-	-	-	-	-
Six years later		276,362	248,245	-	-	-	-	-	-	-
Seven years later		278,386	-	-	-	-	-	-	-	-
Cumulative payments to-date		**278,386**	**248,245**	**297,324**	**380,395**	**307,703**	**345,781**	**389,419**	**123,804**	**2,371,057**

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2022 (continued):

Group - Non-motor

	Note	2014 and prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		**6,757**	**6,989**	**8,615**	**23,589**	**74,235**	**66,539**	**225,508**	**337,667**	**377,579**	**1,127,478**
Gross general insurance outstanding liabilities (treaty inwards)											**576**
Best estimate of claims liabilities											**1,128,054**
Claims handling expenses											**4,681**
Fund PRAD at 75% confidence level											**171,870**
Gross provision for outstanding claims	16.2										**1,304,605**

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34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2021:

Group - Non-motor

Accident year	2013 and prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		279,158	299,458	315,598	403,374	545,692	377,393	639,568	366,982	-
One year later		293,128	349,137	287,273	360,709	498,007	387,114	654,511	-	-
Two years later		274,247	301,291	275,428	342,059	477,461	392,312	-	-	-
Three years later		251,598	287,233	267,125	324,134	465,676	-	-	-	-
Four years later		251,002	287,081	258,943	316,488	-	-	-	-	-
Five years later		251,143	287,514	259,516	-	-	-	-	-	-
Six years later		247,249	285,307	-	-	-	-	-	-	-
Seven years later		239,763	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		239,763	285,307	259,516	316,488	465,676	392,312	654,511	366,982	2,980,555
At end of accident year		76,250	73,827	110,409	122,442	132,996	155,203	142,500	121,631	-
One year later		192,412	228,703	216,755	251,088	293,846	257,839	296,504	-	-
Two years later		218,678	259,159	237,659	272,978	341,395	293,986	-	-	-
Three years later		227,757	267,323	243,546	287,849	376,482	-	-	-	-
Four years later		230,184	274,429	246,494	293,162	-	-	-	-	-
Five years later		231,840	275,610	246,750	-	-	-	-	-	-
Six years later		232,429	276,362	-	-	-	-	-	-	-
Seven years later		233,550	-	-	-	-	-	-	-	-
Cumulative payments to-date		233,550	276,362	246,750	293,162	376,482	293,986	296,504	121,631	2,138,427

34. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2021 (continued):

Group - Non-motor

	Note	2013 and prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		4,424	6,213	8,945	12,766	23,326	89,194	98,326	358,007	245,351	846,552
Gross general insurance outstanding liabilities (treaty inwards)											781
Best estimate of claims liabilities											847,333
Claims handling expenses											5,141
Fund PRAD at 75% confidence level											368,199
Gross provision for outstanding claims	16.2										1,220,673

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34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2022:

Group - Motor

Accident year	2014 and prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		**173,556**	**182,729**	**204,560**	**234,092**	**253,971**	**232,211**	**225,698**	**287,399**	**-**
One year later		**165,112**	**179,545**	**195,522**	**230,422**	**261,199**	**225,304**	**221,422**	**-**	**-**
Two years later		**158,583**	**175,446**	**190,842**	**229,833**	**262,770**	**222,744**	**-**	**-**	**-**
Three years later		**153,602**	**173,301**	**189,544**	**226,738**	**258,867**	**-**	**-**	**-**	**-**
Four years later		**151,625**	**171,596**	**188,267**	**224,393**	**-**	**-**	**-**	**-**	**-**
Five years later		**151,141**	**170,523**	**187,984**	**-**	**-**	**-**	**-**	**-**	**-**
Six years later		**147,556**	**167,392**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Seven years later		**146,889**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Current estimate of cumulative claims incurred		**146,889**	**167,392**	**187,984**	**224,393**	**258,867**	**222,744**	**221,422**	**287,399**	**1,717,090**
At end of accident year		**68,167**	**78,680**	**88,483**	**98,373**	**110,384**	**90,932**	**80,780**	**103,046**	**-**
One year later		**118,175**	**133,858**	**148,453**	**170,771**	**184,869**	**143,670**	**134,105**	**-**	**-**
Two years later		**134,079**	**150,964**	**165,656**	**190,251**	**207,403**	**169,240**	**-**	**-**	**-**
Three years later		**140,262**	**158,944**	**171,300**	**199,084**	**226,884**	**-**	**-**	**-**	**-**
Four years later		**142,790**	**162,847**	**175,450**	**205,700**	**-**	**-**	**-**	**-**	**-**
Five years later		**144,090**	**163,704**	**178,348**	**-**	**-**	**-**	**-**	**-**	**-**
Six years later		**144,779**	**165,280**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Seven years later		**146,461**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative payments to-date		**146,461**	**165,280**	**178,348**	**205,700**	**226,884**	**169,240**	**134,105**	**103,046**	**1,329,064**

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2022 (continued):

Group - Motor

	Note	2014 and prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		**173**	**428**	**2,112**	**9,636**	**18,693**	**31,983**	**53,504**	**87,317**	**184,353**	**388,199**
Net general insurance outstanding liabilities (additional provision)											**2**
Net general insurance outstanding liabilities (treaty inwards)											**49**
Net general insurance outstanding liabilities (Malaysian Motor Insurance Pool)											**14,183**
Best estimate of claims liabilities											**402,433**
Claims handling expenses											**8,696**
Fund PRAD at 75% confidence level											**36,898**
Net provision for outstanding claims	16.2										**448,027**

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34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2021:

Group - Motor

Accident year	2013 and prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		144,243	173,556	182,729	204,560	234,092	253,971	232,211	225,698	-
One year later		140,217	165,112	179,545	195,522	230,422	261,199	225,304	-	-
Two years later		138,031	158,583	175,446	190,842	229,833	262,770	-	-	-
Three years later		136,686	153,602	173,301	189,544	226,738	-	-	-	-
Four years later		134,184	151,625	171,596	188,267	-	-	-	-	-
Five years later		133,906	151,141	170,523	-	-	-	-	-	-
Six years later		130,518	147,556	-	-	-	-	-	-	-
Seven years later		130,393	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		130,393	147,556	170,523	188,267	226,738	262,770	225,304	225,698	1,577,249
At end of accident year		60,592	68,167	78,680	88,483	98,373	110,384	90,932	80,780	-
One year later		100,425	118,175	133,858	148,453	170,771	184,869	143,670	-	-
Two years later		116,298	134,079	150,964	165,656	190,251	207,403	-	-	-
Three years later		123,038	140,262	158,944	171,300	199,084	-	-	-	-
Four years later		126,316	142,790	162,847	175,450	-	-	-	-	-
Five years later		127,986	144,090	163,704	-	-	-	-	-	-
Six years later		128,654	144,779	-	-	-	-	-	-	-
Seven years later		129,882	-	-	-	-	-	-	-	-
Cumulative payments to-date		129,882	144,779	163,704	175,450	199,084	207,403	143,670	80,780	1,244,752

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2021 (continued):

Group - Motor

	Note	2013 and prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		247	511	2,777	6,819	12,817	27,654	55,367	81,634	144,918	332,744
Net general insurance outstanding liabilities (additional provision)											2
Net general insurance outstanding liabilities (treaty inwards)											82
Net general insurance outstanding liabilities (Malaysian Motor Insurance Pool)											19,432
Best estimate of claims liabilities											352,260
Claims handling expenses											8,655
Fund PRAD at 75% confidence level											33,478
Net provision for outstanding claims	16.2										394,393

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34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2022:

Group - Non-motor

Accident year	2014 and prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		123,258	144,666	166,887	199,378	214,718	192,578	189,802	196,383	-
One year later		124,584	133,968	152,732	202,473	206,714	174,588	187,524	-	-
Two years later		119,848	128,159	149,104	202,345	205,601	169,312	-	-	-
Three years later		114,753	127,342	147,454	194,762	198,812	-	-	-	-
Four years later		114,174	124,332	143,343	191,554	-	-	-	-	-
Five years later		114,565	123,308	143,389	-	-	-	-	-	-
Six years later		113,962	122,630	-	-	-	-	-	-	-
Seven years later		114,210	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		**114,210**	**122,630**	**143,389**	**191,554**	**198,812**	**169,312**	**187,524**	**196,383**	**1,323,814**
At end of accident year		48,687	61,865	78,256	97,606	112,655	93,600	90,538	94,402	-
One year later		96,536	112,294	129,658	163,758	169,784	143,184	149,362	-	-
Two years later		105,800	120,229	135,397	169,311	181,299	149,336	-	-	-
Three years later		108,174	122,080	137,906	181,618	185,047	-	-	-	-
Four years later		109,921	120,873	139,171	183,517	-	-	-	-	-
Five years later		110,647	121,037	139,988	-	-	-	-	-	-
Six years later		110,941	121,782	-	-	-	-	-	-	-
Seven years later		111,718	-	-	-	-	-	-	-	-
Cumulative payments to-date		**111,718**	**121,782**	**139,988**	**183,517**	**185,047**	**149,336**	**149,362**	**94,402**	**1,135,152**

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2022 (continued):

Group - Non-motor

	Note	2014 and prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		**814**	**2,492**	**848**	**3,401**	**8,037**	**13,765**	**19,976**	**38,162**	**101,981**	**189,476**
Net general insurance outstanding liabilities (additional provision)											**351**
Net general insurance outstanding liabilities (treaty inwards)											**576**
Best estimate of claims liabilities											**190,403**
Claims handling expenses											**4,681**
Fund PRAD at 75% confidence level											**22,726**
Net provision for outstanding claims	16.2										**217,810**

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34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2021:

Group - Non-motor

Accident year	2013 and prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		126,142	123,258	144,666	166,887	199,378	214,718	192,578	189,802	-
One year later		124,617	124,584	133,968	152,732	202,473	206,714	174,588	-	-
Two years later		120,020	119,848	128,159	149,104	202,345	205,601	-	-	-
Three years later		115,224	114,753	127,342	147,454	194,762	-	-	-	-
Four years later		111,956	114,174	124,332	143,343	-	-	-	-	-
Five years later		111,071	114,565	123,308	-	-	-	-	-	-
Six years later		110,160	113,962	-	-	-	-	-	-	-
Seven years later		109,912	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		109,912	113,962	123,308	143,343	194,762	205,601	174,588	189,802	1,255,278
At end of accident year		52,950	48,687	61,865	78,256	97,606	112,655	93,600	90,538	-
One year later		96,408	96,536	112,294	129,658	163,758	169,784	143,184	-	-
Two years later		106,084	105,800	120,229	135,397	169,311	181,299	-	-	-
Three years later		107,833	108,174	122,080	137,906	181,618	-	-	-	-
Four years later		108,865	109,921	120,873	139,171	-	-	-	-	-
Five years later		109,008	110,647	121,037	-	-	-	-	-	-
Six years later		109,005	110,941	-	-	-	-	-	-	-
Seven years later		109,230	-	-	-	-	-	-	-	-
Cumulative payments to-date		109,230	110,941	121,037	139,171	181,618	181,299	143,184	90,538	1,077,018

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

34. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2021 (continued):

Group - Non-motor

	Note	2013 and prior RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		588	682	3,021	2,271	4,172	13,144	24,302	31,404	99,264	178,848
Net general insurance outstanding liabilities (additional provision)											359
Net general insurance outstanding liabilities (treaty inwards)											781
Best estimate of claims liabilities											179,988
Claims handling expenses											5,141
Fund PRAD at 75% confidence level											22,125
Net provision for outstanding claims	16.2										207,254

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").

2022	Carrying amount RM'000	AC/ (FL) RM'000	Designated as at FVOCI RM'000	Mandatorily at FVTPL RM'000
Financial assets				
Group				
Other investments	**2,282,813**	**190,807**	**951,672**	**1,140,334**
Loans and receivables, excluding insurance receivables	**357,581**	**357,581**	**-**	**-**
Insurance receivables	**189,806**	**189,806**	**-**	**-**
Cash and cash equivalents	**724,911**	**724,911**	**-**	**-**
	3,555,111	**1,463,105**	**951,672**	**1,140,334**
Company				
Other investments	**918,447**	**-**	**918,447**	**-**
Loans and receivables	**21,967**	**21,967**	**-**	**-**
Cash and cash equivalents	**20,064**	**20,064**	**-**	**-**
	960,478	**42,031**	**918,447**	**-**
Financial liabilities				
Group				
Provision for claims reported by policyholders	**(1,525,835)**	**(1,525,835)**	**-**	**-**
Insurance payables	**(102,111)**	**(102,111)**	**-**	**-**
Other payables	**(129,518)**	**(129,518)**	**-**	**-**
	(1,757,464)	**(1,757,464)**	**-**	**-**
Company				
Other payables	**(2,375)**	**(2,375)**	**-**	**-**

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.1 Categories of financial instruments (continued)

2021	Carrying amount RM'000	AC/ (FL) RM'000	Designated as at FVOCI RM'000	Mandatorily at FVTPL RM'000
Financial assets				
Group				
Other investments	2,169,029	114,811	916,424	1,137,794
Loans and receivables, excluding insurance receivables	962,529	962,529	-	-
Insurance receivables	178,160	178,160	-	-
Cash and cash equivalents	87,900	87,900	-	-
	3,397,618	1,343,400	916,424	1,137,794
Company				
Other investments	884,430	-	884,430	-
Loans and receivables	70,664	70,664	-	-
Cash and cash equivalents	5,704	5,704	-	-
	960,798	76,368	884,430	-
Financial liabilities				
Group				
Provision for claims reported by policyholders	(1,167,657)	(1,167,657)	-	-
Insurance payables	(120,630)	(120,630)	-	-
Other payables	(110,573)	(110,573)	-	-
	(1,398,860)	(1,398,860)	-	-
Company				
Other payables	(2,126)	(2,126)	-	-

NOTES TO THE FINANCIAL STATEMENTS
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35. FINANCIAL INSTRUMENTS (CONTINUED)

35.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net gains/ (losses) arising on:				
Designated as at FVOCI				
- recognised in other comprehensive income	**35,036**	8,762	**34,017**	8,504
- recognised in profit or loss	**43,431**	45,167	**41,883**	43,584
	78,467	53,929	**75,900**	52,088
Mandatorily at FVTPL	**19,681**	(7,870)	**-**	-
Financial assets measured at AC	**28,858**	22,347	**1,176**	1,864
	127,006	68,406	**77,076**	53,952

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/ profit yield 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 their shareholders whilst minimising potential exposure to adverse effects on their financial performance and positions.

The Group and the Company are guided by risk management policies which set out the overall business strategies and the general risk management philosophy.

The Group and the Company have established internal processes to monitor the risks on an ongoing basis.

The policies and measures taken by the Group and the Company to manage these risks are as set out below.

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Credit risk

Credit risk is the risk of financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group's and the Company's primary exposure to credit risk arises through their investment in fixed income securities, receivables arising from sales of insurance policies, and obligations of reinsurers through reinsurance contracts.

(i) Management of credit risk

The Group and the Company have put in place credit policies and investment guidelines as part of its overall credit risk management framework which includes the following:

- Evaluation of a debt instrument issuer's credit risk is undertaken by the Investment Unit of the 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 and Sustainability 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 arrangements.

- 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 ("the Board"). 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, other intermediaries and insurance companies. 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
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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 RM138,776,000 (2021: RM99,854,000) for the Group; and

(ii) bank balances and deposits placed with five banks amounted to RM797,665,000 (2021: RM798,407,000) and RM41,764,000 (2021: RM75,704,000) 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 AC. 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
2022						
FVTPL						
Corporate bonds and sukuk	69,295	108,670	55,984	-	-	233,949
AC						
Malaysian government securities	15,300	-	-	-	-	15,300
Government investment issues	39,795	-	-	-	-	39,795
Malaysian government guaranteed loans	85,000	-	-	-	-	85,000
Corporate bonds and sukuk	25,000	9,999	15,713	-	-	50,712
Loans and receivables, excluding insurance receivables	101,344	156,780	57,773	9,274	32,410	357,581
Insurance receivables	-	4,662	21,318	112	163,714	189,806
Cash and cash equivalents	191,896	141,737	369,227	3,234	18,817	724,911
	458,335	313,178	464,031	12,620	214,941	1,463,105

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2021						
FVTPL						
Corporate bonds and sukuk	29,775	64,948	51,532	-	-	146,255
AC						
Malaysian government securities	15,358	-	-	-	-	15,358
Government investment issues	19,817	-	-	-	-	19,817
Malaysian government guaranteed loans	50,000	-	-	-	-	50,000
Corporate bonds and sukuk	5,000	4,999	19,637	-	-	29,636
Loans and receivables, excluding insurance receivables	159,597	323,174	372,743	51,000	56,015	962,529
Insurance receivables	-	838	6,327	51	170,944	178,160
Cash and cash equivalents	29,019	14,408	22,288	1	22,184	87,900
	278,791	343,419	420,995	51,052	249,143	1,343,400

Company	AAA RM'000	AA RM'000	A RM'000	Non-rated RM'000	Total RM'000
2022					
AC					
Loans and receivables	**-**	**-**	**21,700**	**267**	**21,967**
Cash and cash equivalents	**8,704**	**-**	**11,360**	**-**	**20,064**
	8,704	**-**	**33,060**	**267**	**42,031**
2021					
AC					
Loans and receivables	16,000	-	54,000	664	70,664
Cash and cash equivalents	4,147	-	1,557	-	5,704
	20,147	-	55,557	664	76,368

NOTES TO THE FINANCIAL STATEMENTS
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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
2022						
Insurance receivables	**7,439**	**5,384**	**618**	**-**	**-**	**13,441**
2021						
Insurance receivables	11,816	2,493	3,565	584	-	18,458

(iv) Amount arising from expected credit loss ("ECL")

Allowance for impairment

The following tables show reconciliations from the opening balance to the closing balance of the allowance for impairment by class of financial instrument.

	/--------- 12-months---------/ ECL		Lifetime ECL	
Group	Corporate bonds and sukuk RM'000	Due from reinsurers and cedants RM'000	Due premiums including agents and brokers and co-insurers RM'000	Total RM'000
2022				
Balance at 1 January	**6**	**7**	**2,723**	**2,736**
Net remeasurement of allowance for impairment	**-**	**10**	**(851)**	**(841)**
Effect of movement in exchange rates	**-**	**-**	**2**	**2**
Balance at 31 December	**6**	**17**	**1,874**	**1,897**
2021				
Balance at 1 January	5	51	2,586	2,642
Net remeasurement of allowance for impairment	1	(44)	136	93
Effect of movement in exchange rates	-	-	1	1
Balance at 31 December	6	7	2,723	2,736

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35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Credit risk (continued)

(iv) Amount arising from expected credit loss ("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. Wherever applicable, additional forward-looking information is considered when determining PD, such as the Group's and 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.

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Credit risk (continued)

(iv) Amount arising from expected credit loss ("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 counterparty 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 counterparty 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 expected credit loss ("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 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
FOR THE YEAR ENDED 31 DECEMBER 2022

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-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Group is established. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Group's Risk and Sustainability Committee ("RSC") 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 of Directors ("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 treaty reinsurance contract contains a "cash call" clause permitting the Group to make cash call on claim and receive immediate payment for a large loss without waiting for usual periodic payment procedures to occur.

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
2022						
Provision for claims reported by policyholders	**1,525,835**	**1,061,140**	**384,352**	**66,160**	**14,183**	**1,525,835**
Insurance payables	**102,111**	**102,111**	**-**	**-**	**-**	**102,111**
Other payables	**129,518**	**93,866**	**27,034**	**8,291**	**327**	**129,518**
	1,757,464	**1,257,117**	**411,386**	**74,451**	**14,510**	**1,757,464**
2021						
Provision for claims reported by policyholders	1,167,657	770,613	326,093	57,634	13,317	1,167,657
Insurance payables	120,630	120,630	-	-	-	120,630
Other payables	110,573	85,387	19,392	5,372	422	110,573
	1,398,860	976,630	345,485	63,006	13,739	1,398,860

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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
2022						
Other payables	**2,375**	**2,375**	**-**	**-**	**-**	**2,375**
2021						
Other payables	2,126	2,126	-	-	-	2,126

* 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 rate/ 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
FOR THE YEAR ENDED 31 DECEMBER 2022

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
2022			
Malaysian operation			
Investment in an associated company	**-**	**42,387**	**42,387**
Cash and cash equivalents	**-**	**857**	**857**
	-	**43,244**	**43,244**
Singapore operation			
Investment measured at FVOCI	**28,642**	**-**	**28,642**
Loans and receivables, excluding insurance receivables	**7,234**	**-**	**7,234**
Cash and cash equivalents	**455**	**2,830**	**3,285**
	36,331	**2,830**	**39,161**
2021			
Malaysian operation			
Investment in an associated company	-	39,446	39,446
Cash and cash equivalents	-	856	856
	-	40,302	40,302
Singapore operation			
Investment measured at FVOCI	27,581	-	27,581
Loans and receivables, excluding insurance receivables	6,505	-	6,505
Cash and cash equivalents	535	2,410	2,945
	34,621	2,410	37,031

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.7 Currency risk (continued)

(i) Exposure to foreign currency risk (continued)

Company	US Dollar 2022 RM'000	US Dollar 2021 RM'000
Investment in an associated company	**10,833**	10,833

(ii) Sensitivity analysis

The Group's and the 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/profit yield risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate/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
FOR THE YEAR ENDED 31 DECEMBER 2022

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 statements of financial position as FVOCI and FVTPL financial assets that comprise quoted equities, unit trusts, real estate investment trusts ("REITs") and exchange-traded fund ("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).

		2022		2021	
	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%	**90,491**	**141,100**	99,015	144,899
Market price	-10%	**(90,491)**	**(141,100)**	(99,015)	(144,899)
Company					
Market price	+10%	**-**	**69,802**	-	67,217
Market price	-10%	**-**	**(69,802)**	-	(67,217)

* 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 year.

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/ Technical/ Control/ 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 operational risk management framework and oversight by the Enterprise Risk Management and Sustainability Department, Risk, Compliance and Sustainability Committee and the Board.

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 statements 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**
2022										
Financial assets										
Designated at FVOCI										
- Quoted shares	951,672	-	-	951,672	-	-	-	-	951,672	951,672
Mandatorily at FVTPL										
- Unit trusts	896,981	-	-	896,981	-	-	-	-	896,981	896,981
- REITs	3,165	-	-	3,165	-	-	-	-	3,165	3,165
- ETF	587	-	-	587	-	-	-	-	587	587
- Quoted shares	4,180	-	-	4,180	-	-	-	-	4,180	4,180
- Unquoted shares	-	-	1,472	1,472	-	-	-	-	1,472	1,472
- Corporate bonds and sukuk	-	233,949	-	233,949	-	-	-	-	233,949	233,949
AC										
- Malaysian government securities	-	-	-	-	-	14,897	-	14,897	14,897	15,300
- Government investment issues	-	-	-	-	-	38,981	-	38,981	38,981	39,795
- Malaysian government guaranteed loans	-	-	-	-	-	84,035	-	84,035	84,035	85,000
- Corporate bonds and sukuk	-	-	-	-	-	49,860	-	49,860	49,860	50,712
	1,856,585	233,949	1,472	2,092,006	-	187,773	-	187,773	2,279,779	2,282,813

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.11 Fair value information (continued)

	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**
2021										
Financial assets										
Designated at FVOCI										
- Quoted shares	916,424	-	-	916,424	-	-	-	-	916,424	916,424
Mandatorily at FVTPL										
- Unit trusts	982,477	-	-	982,477	-	-	-	-	982,477	982,477
- REITs	3,211	-	-	3,211	-	-	-	-	3,211	3,211
- ETF	668	-	-	668	-	-	-	-	668	668
- Quoted shares	3,791	-	-	3,791	-	-	-	-	3,791	3,791
- Unquoted shares	-	-	1,392	1,392	-	-	-	-	1,392	1,392
- Corporate bonds and sukuk	-	146,255	-	146,255	-	-	-	-	146,255	146,255
AC										
- Malaysian government securities	-	-	-	-	-	15,366	-	15,366	15,366	15,358
- Government investment issues	-	-	-	-	-	19,788	-	19,788	19,788	19,817
- Malaysian government guaranteed loans	-	-	-	-	-	50,298	-	50,298	50,298	50,000
- Corporate bonds and sukuk	-	-	-	-	-	29,760	-	29,760	29,760	29,636
	1,906,571	146,255	1,392	2,054,218	-	115,212	-	115,212	2,169,430	2,169,029

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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
2022										
Financial assets										
Designated at FVOCI										
- Quoted shares	**918,447**	**-**	**-**	**918,447**	**-**	**-**	**-**	**-**	**918,447**	**918,447**
2021										
Financial assets										
Designated at FVOCI										
- Quoted shares	884,430	-	-	884,430	-	-	-	-	884,430	884,430

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 (2021: no transfer in either directions).

Level 3 fair value

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

	Group	
	2022 RM'000	2021 RM'000
Unquoted shares		
Balance as at 1 January	**1,392**	1,375
Fair value gains recognised in profit or loss	**80**	17
Balance as at 31 December	**1,472**	1,392

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.11 Fair value information (continued)

The following table shows the valuation technique used in the determination of fair value within Level 3, as well as the key unobservable inputs used in the valuation model.

Financial instrument carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted shares	The fair value is determined to approximate the net assets value of the investee as it is immaterial in the context of the 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 Risk-Based Capital ("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 2022, as prescribed under the RBC Framework is provided below:

	2022 RM'000	2021 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	**200,000**	200,000
Retained earnings	**929,716**	898,246
	1,129,716	1,098,246
Tier 2 Capital		
Eligible reserves	**52,699**	44,749
Deductions	**-**	(7,061)
Total capital available	**1,182,415**	1,135,934

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 of the Company either directly or indirectly. Compensation of key management personnel are disclosed in Note 29.

(iv) Companies under common significant influence

These are entities in which power to participate in the financial and operating policy decisions where such entities resides directly or indirectly, common with the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 under common significant influence	
Group	**Note**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Income earned:					
Premium income		**520**	585	**40,561**	38,915
Dividend income	22	**-**	-	**43,431**	45,167
Fixed deposits income		**-**	-	**2,107**	3,157
Interest/ profit income from corporate bonds and sukuk		**-**	-	**1,387**	1,459
Information technology services		**320**	12	**-**	-
		840	597	**87,486**	88,698
Expenditure incurred:					
Rental paid		**-**	-	**(3,996)**	(3,382)
Insurance commission		**(126)**	(135)	**(49,730)**	(47,637)
		(126)	(135)	**(53,726)**	(51,019)
Other transaction:					
Purchase of corporate bonds and sukuk		**-**	-	**(25,000)**	-

37. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions and balances (continued)

(a) The significant related party transactions of the Group and of the Company, other than key management personnel compensation, are as follows: (continued)

		Subsidiary		Companies under common significant influence	
Company	**Note**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Income earned:					
Dividend income	22	**210,000**	230,000	**41,883**	43,584
Fixed deposits income		**-**	-	**361**	492
		210,000	230,000	**42,244**	44,076
Expenditure incurred:					
Premium paid		**(26)**	(25)	**-**	-
Rental paid		**(47)**	(43)	**-**	-
Management fees		**(674)**	(639)	**-**	-
		(747)	(707)	**-**	-

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

	Companies under common significant influence			
	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Balances with related parties:				
Placements in fixed and call deposits	**36,240**	88,726	**8,100**	20,000
Bank balances	**11,202**	17,470	**604**	147
Corporate bonds and sukuk	**34,758**	30,347	**-**	-
	82,200	136,543	**8,704**	20,147

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

38. 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") had infringed the prohibition under Section 4(2)(a) of the Act for fixing parts trade discounts and labour rates for repair workshops and therefore liable for an infringement under Section 4(3) of the Act.

Lonpac had on 25 September 2020 received a Notice of Finding of An Infringement ("Notice") by MyCC under Section 40 of the Act. MyCC determined that Lonpac had infringed Section 4 prohibition of the Act.

In the view of the impact of the COVID-19 pandemic, MyCC had granted a reduction of 25% of the financial penalties imposed on the 22 general insurers. The financial penalty imposed on Lonpac after taking into account the 25% reduction amounted to RM5,914,780.

Lonpac believes that it has always conducted its business in full compliance with all relevant laws and regulations and had filed an appeal to the Competition Appeal Tribunal ("CAT") on 13 October 2020.

On 2 September 2022, the CAT had allowed Lonpac to appeal and set aside MyCC's decision.

MyCC has applied to the High Court for leave to apply for judicial review of CAT's decision dated 2 September 2022. PIAM had filed its Affidavit in Opposition in the High Court on 3 January 2023. The hearing date for this matter is fixed on 8 May 2023.

Save as disclosed above, the Group does not have any contingent assets and liabilities since the last annual balance sheet date of 31 December 2021.

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 121 to 245 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 2022 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: 7 February 2023

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 121 to 245 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 7 February 2023.

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 2022 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 121 to 245.

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 2022, and of their financial performance and 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.

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.

Key Audit Matters (continued)

Valuation of general insurance contract liabilities Refer to Note 2(n), Note 2(o) and Note 16 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
The insurance contract liabilities of RM2,653,096,000 representing 90% of the Group's total liabilities comprise of provision for unearned premiums and provision for outstanding claims as 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 required in determining the assumptions used in estimation of claims incurred but not yet reported ("IBNR") 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 a significant effect on the provision for outstanding claims. **Provision for unearned premiums** Provision for unearned premiums is the higher of unearned premium reserves ("UPR") and unexpired risk reserves ("URR"). Estimation of URR involves judgement in the identification of the 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.	Our audit procedures included, among others: • Evaluated and tested the key controls around reserving process, including controls over the completeness and accuracy of data used to 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. We also compared actual and expected experience and performed high level re-projection of the provision for outstanding claims for selected class of business with the support of our own actuarial specialist. • 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 contract 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

Key Audit Matters (continued)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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

Lee Yeit Yeen
Approval Number: 03484/02/2024 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 7 February 2023

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tee Choon Yeow
Independent Non-Executive Chairman (Re-designated as Independent Non-Executive Chairman effective from 19 January 2023)
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
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel No. : (03) 2783 9299
Fax No. : (03) 2783 9222
Email : is.enquiry@my.tricorglobal.com

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

STOCK EXCHANGE LISTING

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

HEAD OFFICE

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

www.lpicapital.com

INVESTOR RELATIONS

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

Mr. Looi Kong Meng
Chief Executive Officer/ Executive Director
Lonpac Insurance Bhd
Tel No. : (03) 2262 8620
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Mr. Ng Seng Khin
Chief Financial Officer
Lonpac Insurance Bhd
Tel No. : (03) 2723 7835
Email : skng@lonpac.com

ANALYSIS OF SHAREHOLDINGS

AS AT 31 JANUARY 2023

Number of issued shares : 398,382,753 ordinary shares

Class of shares : Ordinary shares

Voting rights : One (1) vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

	Shareholders				No. of Shares Held			
	Malaysia		Foreign		Malaysia		Foreign	
Size of Shareholdings	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Less than 100 shares	940	8.95	17	0.16	13,742	*1	270	*1
100 – 1,000 shares	3,664	34.87	46	0.44	2,012,905	0.51	24,587	0.01
1,001 – 10,000 shares	4,351	41.40	86	0.82	15,909,460	3.99	390,047	0.10
10,001 – 100,000 shares	1,156	11.00	75	0.71	32,225,585	8.09	2,045,228	0.51
100,001 to 19,919,136 (less than 5% of issued shares)	155	1.47	17	0.16	134,572,357	33.78	6,890,012	1.73
19,919,137 (5% of issued shares) and above	1	0.01	1	0.01	170,274,240	42.74	34,024,320	8.54
Total	10,267	97.70	242	2.30	355,008,289	89.11	43,374,464	10.89
Grand Total	**10,509 (100%)**				**398,382,753 (100%)**			

Note:

*1 Less than 0.01%.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 JANUARY 2023

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 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)	14,647,308	3.68
5.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	9,979,100	2.50
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)	3,597,680	0.90
10.	Muar Management Sdn Bhd	3,481,920	0.87
11.	Seah Yee Sheau	3,449,700	0.87
12.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	3,411,940	0.86
13.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	3,342,180	0.84
14.	AmanahRaya Trustees Berhad Public Growth Fund	3,335,496	0.84
15.	Sompo Japan Insurance Inc	3,096,000	0.78
16.	Tunku Zahrah Binti Tunku Osman	3,081,600	0.77
17.	AmanahRaya Trustees Berhad Public Equity Fund	2,602,984	0.65
18.	AmanahRaya Trustees Berhad Public Dividend Select Fund	2,210,460	0.55
19.	Teh Cheng Hua	2,033,282	0.51
20.	Lee Chin Guan	1,940,000	0.49
21.	CIMB Commerce Trustee Berhad Public Focus Select Fund	1,791,936	0.45
22.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank New York (Norges Bank 14)	1,403,900	0.35

Name of Shareholders	No. of Shares Held	% of Issued Shares
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 BBH (LUX) SCA for Fidelity Funds ASEAN	1,365,800	0.34
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. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Beng Poh (E-BMM)	1,123,200	0.28
Total	**308,151,598**	**77.32**

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed 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. The late 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 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.

DIRECTORS' DIRECT AND DEEMED INTERESTS IN SHARES IN THE COMPANY BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Deemed 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. Mr. Tee Choon Yeow	1,152,000	0.29%	-	-	1,152,000	0.29%
2. Mr. Tan Kok Guan	356,400	0.09%	273,600 *2	0.07%	630,000	0.16%
3. Mr. Lee Chin Guan	2,300,000	0.58%	-	-	2,300,000	0.58%
4. Mr. Quah Poh Keat	-	-	-	-	-	-
5. Ms. Chan Kwai Hoe	-	-	-	-	-	-
6. Ms. Soo Chow Lai	-	-	-	-	-	-
7. Dato' Chia Lee Kee	-	-	-	-	-	-

KEY SENIOR MANAGEMENT'S DIRECT AND DEEMED INTERESTS IN SHARES IN THE COMPANY

	Direct Interest		Deemed 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:
*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%.

SHARE CAPITAL

AS AT 31 JANUARY 2023

The total number of issued shares as at 31 January 2023 is RM398,382,753. The changes in the number of issued shares are as follows:

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
04.10.1962	2	Subscribers' Shares	2
28.03.1963	999,998	Allotment of Shares to Essex Securities Ltd and Montreal Trust Company	1,000,000
28.06.1972	2,000,000	Bonus Issue 1:2 of 500,000 ordinary shares of RM1.00 each and Allotment of 1,500,000 ordinary shares of RM1.00 each to Kuala Lumpur Holdings Sdn. Berhad, Far Eastern Oriental Sdn. Berhad and Mr. Fred Eu Keng Fai	3,000,000
30.12.1972	3,000,000	Allotment of ordinary shares of RM1.00 each to Wei Woo Estates & Investment Limited, Hong Kong, in exchange of 6,000,000 shares of HK$1.00 each in Wei Woo Estates & Investment Limited	6,000,000
18.01.1973	2,000,000	Rights Issue 1:3 at RM1.00	8,000,000
10.06.1980	6,000,000	Allotment of 7 1/ 2% Convertible Preference Shares of RM0.50 each to Selected Holdings Sdn. Berhad	11,000,000
29.10.1992	8,800,000	Capitalisation of share premium account, capital reserve account and revenue reserve account (Bonus Issue 4:5)	19,800,000
22.06.1994	9,900,000	Capitalisation of share premium account and revenue reserve account (Bonus Issue 1:2)	29,700,000
01.11.1996	11,880,000	Capitalisation of unappropriated profits (Bonus Issue 2:5)	41,580,000
10.12.1996	11,880,000	Rights Issue 2:5 at RM7.00	53,460,000
15.01.1999	53,460,000	Capitalisation of share premium reserve account (Bonus Issue 1:1)	106,920,000
12.04.2000	435,000	Exercise of share options under LPI ESOS at option price of RM2.60 per share	107,355,000
18.10.2001	43,000	Exercise of share options under LPI ESOS at option price of RM2.60 per share	107,398,000
24.07.2002	10,739,000	Subscription of new ordinary shares of LPI by NIPPONKOA INSURANCE CO., LTD. at RM3.81 per share	118,137,000
08.01.2003	473,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	118,610,000
21.08.2003	1,117,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	119,727,000
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
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
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
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

SHARE CAPITAL
AS AT 31 JANUARY 2023

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
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	10,661,828	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 TO PROPERTY HELD BY THE GROUP

Location	Units 02-39, 02-41, 02-43 and 02-45 Goldhill Plaza Newton Road Singapore
Description	2nd floor of 6 storey building
Current use	Rented out to third parties
Tenure	Leasehold 999 years
Remaining lease period (Expiry date)	948 years (26 February 2971)
Age of property	51 years
Built-up area	4,952 sq. ft
Net book value	RM29,862,000
Date of acquisition	26 February 1972
Date of last revaluation	19 December 2022

GROUP CORPORATE DIRECTORY

HEAD OFFICE

6th Floor, Bangunan Public Bank
6 Jalan Sultan Sulaiman
50000 Kuala Lumpur, Malaysia
Tel : (03) 2262 8688 / 2723 7888
Fax : (03) 2078 7455
Website : www.lpicapital.com

SUBSIDIARY

LONPAC INSURANCE BHD
Head Office
6th Floor, Bangunan Public Bank
6 Jalan Sultan Sulaiman
50000 Kuala Lumpur
P.O. Box 10708, 50722 Kuala Lumpur
Tel : (03) 2262 8688 / 2723 7888
Fax : (03) 2715 1332
Website : www.lonpac.com

NORTHERN REGION I

Head of Northern Region I & East Coast Region
Mr. James Kong Wai Mun
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Email : jameskong@lonpac.com

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No. 9, Ground & 1st Floor
Persiaran Taiping
34000 Taiping
Perak

Head of Branch
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Email : ghang@lonpac.com

Sitiawan Branch
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Pusat Perniagaan Manjung Point 3
32040 Seri Manjung
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Head of Branch
Mr. Teh Kok Wei
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Ipoh Branch
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Perak

Head of Branch
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NORTHERN REGION II

Head of Northern Region II
Ms. Lillian Koh Gim Ping
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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 : (04) 731 4413
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Level 3A, Sunrise Gurney
No. 68, Persiaran Gurney
10250 Pulau Pinang

Head of Branch
Ms. Ooi Yen Lew
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Fax : (04) 217 0898
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CENTRAL REGION

Head of Central Region
Mr. Gavin Tan Poh Teck
Tel : (06) 601 5677
Fax : (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. Gilbert Heng Wei Chun
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Fax : (03) 8736 9135
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Klang Branch
No. 2-08, 8th Floor
Menara Empire, Jalan Empayar
Off Persiaran Sultan Ibrahim/KU1
41050 Klang Bandar Diraja
Selangor

Head of Branch
Mr. Sebastian Tan York Chung
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Email : sebastiantan@lonpac.com

Seremban Branch
No. 496, Jalan Haruan 4/4
Oakland Commercial Centre
70300 Seremban
Negeri Sembilan

Head of Branch
Mr. Yong Yoke Woon
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GROUP CORPORATE DIRECTORY

SOUTHERN REGION I

Johor Bahru Branch
Suite No. 25.02-25.04, 25th Floor
Public Bank Tower
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80000 Johor Bahru
Johor

Head of Branch
Mr. Ryan Leong Chee Woei
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Mr. Yong Chee Chean
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75000 Melaka

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85000 Segamat
Johor

Head of Branch
Mr. Chan Eng Huat
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B-62B, 1st & 2nd Floor
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Sri Dagangan II
25000 Kuantan
Pahang

Head of Branch
Mr. Chen Fan Yen
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Kuala Terengganu Branch
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20000 Kuala Terengganu
Terengganu

Head of Branch
En. Yaakub Bin Abu Bakar
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Fax : (09) 622 2123
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Kota Bharu Branch
No. PT 286, Tingkat 1 & 2
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15300 Kota Bharu
Kelantan

Head of Branch
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SARAWAK REGION

Head of Sarawak Region
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93100 Kuching
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Head of Branch
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Sibu Branch
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Lorong Dr. Wong Soon Kai 20A
96000 Sibu
Sarawak

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Fax : (084) 322 923

Miri Branch
Lot 3528, 1st & 2nd Floor
Al-Bayt Square
(Miri 101 Commercial Centre)
Jalan Miri-Pujut
98000 Miri
Sarawak

Head of Branch
Mr. Teng Nyen Chung
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SABAH REGION

Head of Sabah Region
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Sabah

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SINGAPORE BRANCH

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ASSOCIATED COMPANY

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 62nd Annual General Meeting (AGM) of LPI Capital Bhd (LPI) will be held on Wednesday, 12 April 2023 at 11.00 a.m. and will be conducted as a virtual AGM at the Broadcast Venue at 29th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

The 62nd 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 2022 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: — (Please refer to Explanatory Note 2)
   i. Mr. Tan Kok Guan — Ordinary Resolution 1
   ii. Mr. Quah Poh Keat — Ordinary Resolution 2

3. To approve the payment of Directors' Fees of RM1,610,000 for the financial year ended 31 December 2022. — Ordinary Resolution 3 (Please refer to Explanatory Note 3)

4. To approve the payment of Directors' Benefit on Allowances for Directors amounting to RM351,000 for the financial year ended 31 December 2022. — Ordinary Resolution 4 (Please refer to Explanatory Note 4)

5. To approve the Directors' Benefit on Insurance Coverage for Non-Executive Directors from 62nd AGM to 63rd AGM of the Company. — Ordinary Resolution 5 (Please refer to Explanatory Note 5)

6. To re-appoint Messrs. KPMG PLT as Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix the Auditors' remuneration. — Ordinary Resolution 6

As Special Business

7. To consider and if thought fit, to pass the following Special Resolution: — Special Resolution 1 (Please refer to Explanatory Note 6)

   Proposed Adoption of the New Constitution of the Company

   "THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix A, despatched together with the Company's Integrated Annual Report 2022 be and is hereby adopted as the Constitution of the Company.

   AND THAT, the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by any relevant authorities, and to do all acts necessary to give full effect to the proposed new Constitution."

By Order of the Board

KONG THIAN MEE
(MAICSA 7024050)/ SSM PC No.: 202008001185
Company Secretary

Kuala Lumpur
1 March 2023

NOTES:

1. The AGM will be conducted on a 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 AGM in order to register, participate and vote remotely via the RPV facilities.

2. The Broadcast Venue of the AGM is strictly for the purpose of complying with Section 327 of the Companies Act, 2016. Members/proxies are not allowed to attend the AGM in person at the Broadcast Venue on the day of the AGM.

3. Only depositors whose names appear in the Record of Depositors as at 4 April 2023 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 its 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 10 April 2023 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 10 April 2023 at 11.00 a.m.

10. A member who has appointed a proxy or attorney or authorised representative to participate at this 62nd AGM via RPV facilities must request his/her proxy or attorney or authorised representative to register himself/herself for RPV facilities via 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.

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 profiles of Directors seeking re-election are set out in the Board of Directors' Profiles section of the Company's Integrated Annual Report 2022.

   The Board, on the recommendation of the Nomination and Remuneration Committee, supported the re-election of the retiring Directors. The Board and the Nomination and Remuneration Committee had reviewed the assessment results of the Board Evaluation Exercise conducted for the financial year ended 31 December 2022 and were satisfied with the performance and contributions of the retiring Directors that they had effectively discharged their duties and responsibilities well.

3. The breakdown of the proposed payment of Directors' Fees of RM1,610,000 for the financial year ended 31 December 2022 is as set out below:

Directors' Fees (per annum)			
The Late Chairman	Co-Chairman (Re-designated as Chairman with effect from 19 January 2023)	Chairman of Audit Committee	Other Directors
RM450,000	RM230,000	RM180,000	RM150,000

4. The breakdown of the proposed payment of Directors' Allowances amounting to RM351,000 for the financial year ended 31 December 2022 is as set out below:

Meeting Attendance Allowances (per meeting attended)	Per Member
• Board Meeting	RM1,500
• Audit Committee Meeting	RM1,500
• Risk, Compliance and Sustainability Committee Meeting	RM1,500
• Nomination and Remuneration Committee Meeting	RM1,500

Board Committees Membership Allowance (per month)	RM3,000 per Director

5. Proposed Directors' Benefit on Insurance Coverage for Non-Executive Directors is as per following:

Insurance
(i) Hospitalisation and Surgical Insurance
(ii) Personal Accident Insurance
(iii) Travel Insurance

6. Proposed Adoption of the New Constitution of the Company (Proposed Adoption)

   The Special Resolution 1, if passed will streamline and ensure consistency throughout the Company's Constitution and to enhance administrative efficiency. The Board proposed that the existing Constitution be revoked in its entirety and the proposed new Constitution of the Company as set out in Appendix A, be adopted as the new Constitution of the Company.

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

GRI Standard	GRI Disclosure		Report of LPI Capital Bhd	Page Reference
GENERAL DISCLOSURES				
GRI 2: General Disclosures 2021	**The organisation and its reporting practices**			
	2-1	Organisational details	Our Investment Case	Page 6 - 9
	2-2	Entities included in the organisation's sustainability reporting	Our Investment Case	Page 6 - 9
	2-3	Reporting period, frequency and contact point	About This Report	Page 2 - 3
	2-4	Restatements of information	MD&A - Governance (Transition to MFRS 17)	Page 41
	2-5	External assurance	N/A	N/A
	Activities and workers			
	2-6	Activities, value chain and other business relationships	Our Investment Case, Our Value Creation Model, MD&A	Page 6 - 9, Page 61 - 63, Page 22 - 57
	2-7	Employees	Key Highlights for the Year MD&A - Social (Creating A Sustainable Workforce)	Page 4 Page 48 - 50
	2-8	Workers who are not employees	N/A	N/A
	Governance			
	2-9	Governance structure and composition	Corporate Governance Overview Statement - Leadership and Effectiveness	Page 77 - 79
	2-10	Nomination and selection of the highest governance body	Corporate Governance Overview Statement - Leadership and Effectiveness (Nomination and Remuneration Committee)	Page 83 - 84
	2-11	Chair of the highest governance body		
	2-12	Role of the highest governance body in overseeing the management of impacts		
	2-13	Delegation of responsibility for managing impacts	Corporate Governance Overview Statement - Leadership and Effectiveness (Governance of Sustainability)	Page 77
	2-14	Role of the highest governance body in sustainability reporting	Our Approach to Sustainability	Page 10 - 11
	2-15	Conflicts of interest	Statement on Risk Management and Internal Control	Page 97 - 102
	2-16	Communication of critical concerns	Corporate Governance Overview Statement - Effective Communication with Stakeholders	Page 92 - 93
	2-17	Collective knowledge of the highest governance body	Our Approach to Sustainability	Page 10 - 11

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

GRI Standard	GRI Disclosure		Report of LPI Capital Bhd	Page Reference
GRI 2: General Disclosures 2021 (continued)	2-18	Evaluation of the performance of the highest governance body	Corporate Governance Overview Statement - Board and Committee Effectiveness	Page 76
	2-19	Remuneration policies	Corporate Governance Overview Statement - Leadership and Effectiveness	Page 86
	2-20	Process to determine remuneration	Corporate Governance Overview Statement - Leadership and Effectiveness	Page 86
	Strategy, policies and practices			
	2-22	Statement on sustainable development strategy	Our Approach to Sustainability	Page 10 - 15
	2-23	Policy commitments	MD&A - Governance, Social	Page 42, 49 - 51
	2-24	Embedding policy commitments		
	2-25	Processes to remediate negative impacts		
	2-26	Mechanisms for seeking advice and raising concerns		
	2-27	Compliance with laws and regulations	MD&A - Governance	Page 40 - 42
	2-28	Membership associations	N/A	N/A
	Stakeholder engagement			
	2-29	Approach to stakeholder engagement	Our Approach to Sustainability - Stakeholder Identification Corporate Governance Overview Statement - Effective Communication with Stakeholders	Page 13 Page 92 - 93
	2-30	Collective bargaining agreements	N/A	N/A
MATERIAL TOPICS				
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Our Approach to Sustainability - Determining Materiality	Page 14
	3-2	List of material topics	Our Approach to Sustainability - Determining Materiality	Page 14
ECONOMIC				
GRI 3: Material Topics 2021	3-3	Management of material topics	MD&A	Page 22 - 39
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	MD&A	Page 22 - 39
	201-2	Financial implications and other risks and opportunities due to climate change	MD&A - Financial Highlights (Ten-Year Group Financial Summary)	Page 24

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

GRI Standard	GRI Disclosure		Report of LPI Capital Bhd	Page Reference
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	MD&A - Social (Building Sustainable Communities)	Page 53 - 54
	203-2	Significant indirect economic impacts		
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	MD&A - Governance (Anti-Bribery and Corruption)	Page 42
	205-2	Communication and training about anti-corruption policies and procedures	MD&A - Governance (Anti-Bribery and Corruption)	Page 42
ENVIRONMENTAL				
GRI 3: Material Topics 2021	3-3	Management of material topics	MD&A - Social (Digital Transformation)	Page 51 - 52
GRI 301: Materials 2016	301-1	Materials used by weight or volume		
GRI 3: Material Topics 2021	3-3	Management of material topics	MD&A - Environmental	Page 55 - 57
GRI 302: Energy 2016	302-1	Energy consumption within the organization	MD&A - Environmental (Building Resilient Against Climate Change)	Page 55
	302-2	Energy consumption outside of the organization	MD&A - Environmental (Building Resilient Against Climate Change)	Page 55
	302-4	Reduction of energy consumption	MD&A - Environmental (Sustainable Consumption - Energy, Water, and Waste Management)	Page 57
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	MD&A - Environmental	Page 55 - 57
	303-5	Water consumption	MD&A - Environmental	Page 55 - 57
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	MD&A - Environmental	Page 55 - 57
	305-2	Energy indirect (Scope 2) GHG emissions	MD&A - Environmental	Page 55 - 57
	305-3	Other indirect (Scope 3) GHG emissions	MD&A - Environmental	Page 55 - 57
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	MD&A - Environmental	Page 55 - 57
	306-2	Management of significant waste-related impacts	MD&A - Environmental	Page 55 - 57

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

GRI Standard	GRI Disclosure		Report of LPI Capital Bhd	Page Reference
SOCIAL				
GRI 3: Material Topics 2021	3-3	Management of material topics	MD&A - Social (Creating A Sustainable Workforce)	Page 48 - 50
GRI 401: Employment 2016	401-1	New employee hires and employee turnover		Page 49
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Page 50
	401-3	Parental leave		Page 50
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	MD&A - Social (Creating A Sustainable Workforce)	Page 50
	403-3	Occupational health services	MD&A - Social (Creating A Sustainable Workforce)	Page 50
	403-4	Worker participation, consultation, and communication on occupational health and safety	MD&A - Social (Creating A Sustainable Workforce)	Page 50
	403-5	Worker training on occupational health and safety	MD&A - Social (Creating A Sustainable Workforce)	Page 50
	403-6	Promotion of worker health	MD&A - Social (Creating A Sustainable Workforce)	Page 50
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	MD&A - Social (Creating A Sustainable Workforce)	Page 50
	403-8	Workers covered by an occupational health and safety management system	MD&A - Social (Creating A Sustainable Workforce)	Page 50
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	MD&A - Social (Creating A Sustainable Workforce)	Page 48 - 49
	404-2	Programs for upgrading employee skills and transition assistance programs	MD&A - Social (Creating A Sustainable Workforce)	Page 48 - 49
	404-3	Percentage of employees receiving regular performance and career development reviews	MD&A - Social (Creating A Sustainable Workforce)	Page 48 - 49
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	MD&A - Social (Creating A Sustainable Workforce)	Page 49 - 50

GLOBAL REPORTING INITIATIVE ("GRI") CONTENT INDEX

GRI Standard	GRI Disclosure		Report of LPI Capital Bhd	Page Reference
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	MD&A - Social (Building Sustainable Communities)	Page 53 - 54
	413-2	Operations with significant actual and potential negative impacts on local communities		
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria		
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	MD&A - Governance (Cybersecurity, Privacy and Data Protection)	Page 42

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD")

TCFD Disclosures

Bursa Malaysia Securities Bhd has introduced enhanced sustainability reporting requirements which will become mandatory for all listed issuers, including us. Central to this new reporting requirement are the TCFD disclosures released by the Joint Committee on Climate Change ("JC3") led by Bank Negara Malaysia. As this is a central plank of the new reporting guidelines, we have prepared the following table to function as a reference for the required disclosures.

Governance

1. Describe the Board's oversight in climate-related risks and opportunities.

   Please refer to Page 11 for more information.

2. Describe management's role in accessing and managing climate-related risks and opportunities.

   Please refer to Page 11 for more information.

Strategy

1. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

   Please refer to Page 59 for more information.

2. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

   Please refer to Page 59 for more information.

3. Describe the resilience of the organisation strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

   * Note: Catastrophic event such as flooding event has been tested in the Group's stress testing exercise. However, the Group has not perform the scenario analysis on 2°C currently. We shall enhance the scenario analysis moving forward.

Risk Management

1. Describe the organisation's processes for identifying and assessing climate-related risks.

   Please refer to Page 56 & 64 for more information.

2. Describe the organisation's process for managing climate-related risks.

   Please refer to Page 56 & 64 for more information.

3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

   Please refer to Page 56 & 64 for more information.

Metrics and Targets

1. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

   Please refer to Page 55 & 56 for more information.

2. Disclose Scope 1, Scope 2, and, if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks.

   Please refer to Page 55 for more information.

3. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

   Please refer to Page 55 & 56 for more information.

We will further enhance the disclosures to be better aligned with TCFD requirements moving forward.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD ("SASB")

SASB Disclosures

The LPI Group decided in 2021 to disclose performance metrics as guided by SASB, an international organisation that examines industry-specific sustainability criteria in order to help stakeholders assess a company's sustainability performance. We continued to make disclosures which have been grouped into the following six categories:

1. Transparent Information & Fair Advice for Customers
2. Incorporation of Environmental, Social, and Governance Factors in Investment Management
3. Policies Designed to Incentivise Responsible Behaviour
4. Environmental Risk Exposure
5. Systemic Risk Management
6. Activity Metrics

These criteria are addressed in the following tables, which contain descriptions of the metric, the corresponding SASB reference code and our data disclosures as at 31 December 2022. As we are integrating the sustainability disclosures with the Management Discussion & Analysis, please refer to the following pages for the detailed discussion.

Code	Accounting Metric	Page
Transparent Information & Fair Advice for Customers		
FN-IN-270a.1	Total amount of monetary losses as a result of legal proceedings associated with the marketing and communication of insurance product related information to new and returning customers	Page 40
FN-IN-270a.2	Complaints-to-claims ratio	Page 38
FN-IN-270a.3	Customer retention rate	Page 43
FN-IN-270a.4	Description of approach in informing customers about products	Page 44
Incorporation of Environmental, Social, and Governance Factors in Investment Management		
FN-IN-410a.1	Total invested assets, by industry and asset class	Page 44 & 56
FN-IN-410a.2	Description of approach in incorporating of Environmental, Social, and Governance ("ESG") factors in investment management processes and strategies	Page 34 & 43
Policies Designed to Incentivise Responsible Behaviour		
FN-IN-410b.1	Net premiums written related to energy efficiency and low carbon technology	Page 56
FN-IN-410b.2	Discussion of products and/ or product features that incentivise health, safety, and/ or environmentally responsible actions and/ or behaviours	Page 56

SUSTAINABILITY ACCOUNTING STANDARDS BOARD ("SASB")

Code	Accounting Metric	Page
Environmental Risk Exposure		
FN-IN-450a.1	Probable Maximum Loss ("PML") of insured products from weather-related natural catastrophes	Page 34
FN-IN-450a.2	Total amount of monetary losses attributable to insurance payouts from: (1) modelled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	Page 34
FN-IN-450a.3	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy	Page 43
Systemic Risk Management		
FN-IN-550a.1	Exposure to derivative instruments by category: (1) total potential exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	Nil
FN-IN-550a.2	Total fair value of securities lending collateral assets	Nil
FN-IN-550a.3	Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities	Page 40
Activity Metrics		
FN-IN-000.A	Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance	Page 23 & 43

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 62nd Annual General Meeting of the Company to be held on Wednesday, 12 April 2023 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 Mr. Tan Kok Guan as Director.		
2.	Re-election of Mr. Quah Poh Keat as Director.		
3.	Approval of payment of Directors' Fees.		
4.	Approval of payment of Directors' Allowances.		
5.	Approval of Insurance Coverage for Non-Executive Directors.		
6.	Re-appointment of Messrs. KPMG PLT as Auditors of the Company and authority to the Directors to fix the Auditors' remuneration.		
Special Business			
7.	Proposed Adoption of the New Constitution of the Company.		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the Proxy(ies) will vote or abstain from voting at his discretion.)

Dated this ________ day of _____________ 2023

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. The AGM will be conducted on a 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 AGM in order to register, participate and vote remotely via the RPV facilities.
2. The Broadcast Venue of the AGM is strictly for the purpose of complying with Section 327 of the Companies Act, 2016. Members/proxies are not allowed to attend the AGM in person at the Broadcast Venue on the day of the AGM.
3. Only depositors whose names appear in the Record of Depositors as at 4 April 2023 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 its 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 10 April 2023 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 10 April 2023 at 11.00 a.m.
10. A member who has appointed a proxy or attorney or authorised representative to participate at this 62nd AGM via RPV facilities must request his/her proxy or attorney or authorised representative to register himself/herself for RPV facilities via 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.

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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

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