FINANCIAL STATEMENTS

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

	2018 RM'mil	2017 RM'mil	Increase/ (Decrease) Amount RM'mil	%
Assets				
Plant and equipment	**18.3**	17.1	1.2	7.0
Investment properties	**27.4**	27.3	0.1	0.4
Investment in associated company	**31.6**	26.9	4.7	17.5
Fair value through other comprehensive income financial assets	**1,090.9**	-	1,090.9	100.0
Fair value through profit or loss financial assets	**179.8**	-	179.8	100.0
Amortised cost financial assets	**97.9**	-	97.9	100.0
Available-for-sale financial assets	**-**	927.4	(927.4)	(100.0)
Held-to-maturity financial assets	**-**	219.3	(219.3)	(100.0)
Reinsurance assets	**819.6**	692.8	126.8	18.3
Loans and receivables (excluding insurance receivables)	**1,351.0**	1,419.3	(68.3)	(4.8)
Insurance receivables	**160.0**	156.4	3.6	2.3
Deferred acquisition costs	**45.6**	33.7	11.9	35.3
Cash and cash equivalents	**418.5**	294.4	124.1	42.2
Total Assets	**4,240.6**	3,814.6	426.0	11.2
Total Equity	**2,156.8**	1,920.9	235.9	12.3
Liabilities				
Insurance contract liabilities	**1,859.0**	1,636.4	222.6	13.6
Deferred tax liabilities	**4.9**	1.0	3.9	390.0
Finance lease liabilities	**-**	0.9	(0.9)	(100.0)
Insurance payables	**88.5**	121.9	(33.4)	(27.4)
Other payables	**107.1**	110.8	(3.7)	(3.3)
Tax payables	**24.3**	22.7	1.6	7.0
Total Liabilities	**2,083.8**	1,893.7	190.1	10.0
Total Equity and Liabilities	**4,240.6**	3,814.6	426.0	11.2

ANALYSIS OF THE FINANCIAL STATEMENTS

TOTAL ASSETS

As at 31 December 2018, the Group maintained a strong balance sheet with total assets stood at RM4,240.6 million, an increase of 11.2% or RM426.0 million over the previous financial year. The total assets growth in 2018 was mainly attributed by the increase in fair value through other comprehensive income financial assets, reinsurance assets and cash and cash equivalents. The increase in fair value through other comprehensive income financial assets was contributed by increase in the market value and the increase in reinsurance assets and cash and cash equivalents are primarily driven by the profit registered in 2018.

PLANT AND EQUIPMENT

The Group's plant and equipment increased by RM1.2 million to RM18.3 million from RM17.1 million in 2017. The increase was mainly due to the acquisition of assets during the year.

INVESTMENT PROPERTIES

The investment properties of the Group increased by RM0.1 million to RM27.4 million from RM27.3 million registered in 2017. The increase was due to the changes in foreign exchange rate. The investment properties were revalued in accordance with the revaluation report issued by the external independent valuer.

INVESTMENT IN ASSOCIATED COMPANY

The Group's investment in associated company is in respect of its investment in Campu Lonpac Insurance Plc ("Campu Lonpac"), where the Group has a 45% interest in the company. The Group records its investment in the shares of Campu Lonpac using the equity method. The investment in associated company increased by 17.5% or RM4.7 million to RM31.6 million from RM26.9 million in the previous year as a result of profit generated during the year and foreign exchange translation gain. The Group's share of the profit after tax from this associated company for the current financial year ended 31 December 2018 increased by RM1.7 million to RM4.1 million from RM2.4 million in 2017.

OTHER INVESTMENT

The Group has adopted MFRS 9, *Financial Instruments* on 1 January 2018 as explained in the Note 39 to the financial statements. As a result of the adoption, the Other Investment of the Group as at 1 January 2018 has been reclassified and remeasured as below:

	As at 31.12.2017 RM'mil	Reclassification & Remeasurement RM'mil	As at 01.01.2018 RM'mil
Other Investment (Financial Assets)			
Fair value through other comprehensive income	-	915.5	**915.5**
Fair value through profit or loss	-	153.8	**153.8**
Amortised cost	-	81.2	**81.2**
Available-for-sale	927.4	(927.4)	**-**
Held-to-maturity	219.3	(219.3)	**-**
Total Other Investment	**1,146.7**	**3.8**	**1,150.5**

The increase in Other Investment during the year is presented as below:

	As at 31.12.2018 RM'mil	As at 01.01.2018 RM'mil	Increase/ (Decrease) Amount RM'mil	%
Other Investment (Financial Assets)				
Fair value through other comprehensive income	**1,090.9**	**915.5**	175.4	19.2
Fair value through profit or loss	**179.8**	**153.8**	26.0	16.9
Amortised cost	**97.9**	**81.2**	16.7	20.6
Total Other Investment	**1,368.6**	**1,150.5**	218.1	19.0

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

The Group has elected to designate equity investment not held for trading purpose to be classified as fair value through other comprehensive income (FVOCI) financial assets. The FVOCI financial assets consist of blue-chip stocks that have good and consistent dividend payouts. Throughout the year, the value of FVOCI financial assets increased by 19.2% or RM175.4 million to RM1,090.9 million from RM915.5 million as at 1 January 2018 contributed by the increase in the market value.

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

The Group classifies all other investments which were not designated as FVOCI and do not give rise to cash flows that are solely payments of principal and interest as fair value through profit or loss (FVTPL) financial assets. The FVTPL financial assets increased by 16.9% or RM26.0 million to RM179.8 million from RM153.8 million as at 1 January 2018 mainly due to the increase in the investment in unit trusts by RM30.0 million to RM36.0 million from RM6.0 million in 2017. Whilst the investment in Real Estate Investment Trusts (REITs) increased by RM1.4 million to RM2.4 million from RM1.0 million in 2017. The investment in corporate debt securities decreased by 3.5% or RM5.0 million to RM135.9 million from RM140.9 million was due to the maturity of corporate debt securities. The value of Exchange Traded Fund (ETF) decreased by 6.5% or RM41,000 to RM590,000 from RM631,000 in 2017.

ANALYSIS OF THE FINANCIAL STATEMENTS

AMORTISED COST FINANCIAL ASSETS

The Group classifies debt securities which held within a business model whose objective is achieved by collecting contractual cash flows and the contract term give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding as amortised cost (AC) financial assets. The Group's AC financial assets consist of government guaranteed loans and corporate debt securities which are mainly held for yield and liquidity purposes. The AC financial assets increased by 20.6% or RM16.7 million to RM97.9 million from RM81.2 million as at 1 January 2018 was due to new purchases of corporate debt securities during the year.

REINSURANCE ASSETS

As at 31 December 2018, the reinsurers share of provision for outstanding claims and provision for unearned premium (Reinsurance assets) increased by 18.3% or RM126.8 million to RM819.6 million from RM692.8 million in 2017.

LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

The Group's loans and receivables as at 31 December 2018 are largely comprised of fixed deposits placed with licensed financial institutions with maturities above 3 months, staff loans and other receivables. The Group's loans and receivables decreased by 4.8% or RM68.3 million to RM1,351.0 million from RM1,419.3 million in 2017 mainly due to the placement of fixed deposit with maturity more than 3 months which decreased by 4.3% or RM55.4 million to RM1,230.9 million from RM1,286.3 million in 2017 mainly due to the investment in high liquid money market unit trusts funds. Other receivables decreased by 10.0% or RM9.9 million to RM89.0 million from RM98.9 million in 2017. The decline was mainly due to the decrease in amount due from Malaysian Motor Insurance Pool by 10.6% or RM6.3 million to RM52.9 million from RM59.2 million in 2017 and other receivables, deposit and prepayment by 33.1% or RM4.2 million to RM8.5 million from RM12.7 million in 2017. Staff loans decreased by 8.8% or RM3.0 million to RM31.2 million from RM34.2 million in 2017.

INSURANCE RECEIVABLES

In tandem with the growth in gross premium income, the Group's insurance receivables increased by 2.3% or RM3.6 million to RM160.0 million from RM156.4 in 2017.

DEFERRED ACQUISITION COSTS

The Group's deferred acquisition costs consist mainly of commissions to agents and brokers increased by 35.3% or RM11.9 million to RM45.6 million from RM33.7 million in 2017. The increase is in tandem with the growth in gross written premiums.

CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents are made up of cash in-hand and balances with banks, fixed deposits placed with licensed financial institutions with maturities of 3 months or less and highly liquid money market unit trusts fund. The Group's cash and cash equivalents increased by 42.2% or RM124.1 million to RM418.5 million from RM294.4 million in 2017. The increase was mainly due to the investment in the liquid money market unit trusts funds increased by RM103.0 million to RM154.4 million from RM51.4 million in 2017. The fixed deposits placements with maturities of three months or less also increased by 8.3% or RM18.3 million to RM239.2 million from RM220.9 million in 2017.

TOTAL LIABILITIES

The Group's total liabilities increased by 10.0% or RM190.1 million to RM2,083.8 million from RM1,893.7 million in 2017. The increase was primarily due to the higher provision of unearned premium and outstanding claims. Total insurance contract liabilities accounted for 89.2% or RM1,859.0 million of the Group's total liabilities, of which RM1,087.8 million related to the provision for outstanding claims and RM771.2 million to provision for unearned premium.

INSURANCE CONTRACT LIABILITIES

The Group's insurance contract liabilities consist of gross provision for outstanding claims and gross provision for unearned premium. Total insurance contract liabilities increased by 13.6% or RM222.6 million to RM1,859.0 million from RM1,636.4 million in 2017. The increase amount of RM222.6 million consists of RM167.0 million in provision for outstanding claims and RM55.6 million in provision for unearned premium reserves.

INSURANCE PAYABLES

The Group's insurance payables decreased by 27.4% or RM33.4 million to RM88.5 million from RM121.9 million in 2017. The decrease was mainly due to lower outstanding net balance due to reinsurers.

OTHER PAYABLES

The Group's other payables decreased by 3.3% or RM3.7 million to RM107.1 million from RM110.8 million in 2017. The decrease was mainly due to the cash collateral deposits refunded to the policyholders.

SHAREHOLDERS' EQUITY

The Group's shareholders' equity as at 31 December 2018 increased by 12.3% or RM235.9 million to RM2,156.8 million from RM1,920.9 million in 2017 after the payment of dividends amounting to RM253.0 million (consist of RM149.4 million second interim for financial year 2017 and RM103.6 million first interim for financial year 2018) during the year, with an encouraging return on equity of 14.6%. The growth was the result of another year of strong net profit of RM314.0 million achieved for the year 2018. Accordingly, the Group's retained earnings still managed to rise by RM0.7 million to RM804.7 million from RM804.0 million as at 1 January 2018 (adjusted upon initial application of MFRS 9, *Financial Instruments*) despite of the capitalisation of RM60.1 million as share capital as explained below and payment of dividends of RM253.0 million as mentioned above.

During the financial year, the Company increased its issued and paid up ordinary shares from 331,985,808 to 398,382,753 on the basis of one (1) new ordinary share of RM1.00 each for every five (5) existing ordinary shares held by way of capitalisation of RM1.00 for each Bonus Share of RM6,258,124 from the share premium account and RM60,138,821 from retained earnings of the Company. The bonus issue exercise was completed on 12 April 2018 following the listing of and quotation for the 66,396,945 bonus shares on the Main Market of Bursa Malaysia Securities. The Group's net tangible asset per share decreased to RM5.41 as compared to RM5.79 as at the end of financial year 2017 resulted from the bonus issue exercise.

ANALYSIS OF THE
STATEMENT OF PROFIT OR LOSS

	2018 RM'mil	2017 RM'mil	Increase/ (Decrease) Amount RM'mil	%
Operating revenue	**1,513.7**	1,470.6	43.1	2.9
Gross written premium	**1,469.4**	1,421.3	48.1	3.4
Change in unearned premium reserve	**(55.5)**	(40.7)	14.8	36.4
Gross earned premium	**1,413.9**	1,380.6	33.3	2.4
Gross written premium ceded to reinsurers	**(464.8)**	(553.8)	(89.0)	(16.1)
Change in unearned premium reserve	**(18.3)**	23.4	(41.7)	(178.2)
Premium ceded to reinsurers	**(483.1)**	(530.4)	(47.3)	(8.9)
Net earned premium	**930.8**	850.2	80.6	9.5
Investment income	**99.8**	90.0	9.8	10.9
Realised gains	**-**	2.9	(2.9)	(100.0)
Fair value gains	**0.1**	-	0.1	100.0
Commission income	**104.0**	118.6	(14.6)	(12.3)
Net reversal of impairment loss on insurance receivables	**-**	2.9	(2.9)	(100.0)
Other operating income	**6.8**	7.9	(1.1)	(13.9)
Other income	**210.7**	222.3	(11.2)	(5.0)
Net claims incurred	**(381.0)**	(327.7)	(53.3)	(16.3)
Realised losses	**(0.1)**	-	0.1	100.0
Fair value losses	**(1.8)**	-	1.8	100.0
Commission expense	**(162.8)**	(162.8)	-	-
Management expenses	**(192.6)**	(180.7)	11.9	6.6
Net impairment loss on insurance receivables	**(1.3)**	-	1.3	100.0
Other expenses	**(358.6)**	(343.5)	15.1	4.4
Operating profit	**401.9**	401.3	0.6	0.1
Share of profit after tax of equity accounted associated company	**4.1**	2.4	1.7	70.8
Profit before tax	**406.0**	403.7	2.3	0.6
Tax expense	**(92.0)**	(89.9)	2.1	2.3
Net profit for the year	**314.0**	313.8	0.2	0.1

ANALYSIS OF THE
STATEMENT OF PROFIT OR LOSS

Despite the challenging economic environment and a highly competitive market, the LPI Group continued to deliver a good set of results for the financial year ended 31 December 2018. The LPI Group's revenue grew by 2.9% or RM43.1 million to RM1,513.7 million compared to RM1,470.6 million in 2017. The Group's profit before taxation increased by RM2.3 million or 0.6% to RM406.0 million from RM403.7 million in 2017 mainly contributed by higher investment income. The Group's net profit increased by RM0.2 million or 0.1% to RM314.0 million as compared to RM313.8 million in the previous year. The Group's earnings per share increased to 78.83 sen compared to 78.77 sen last year. Return on equity decreased to 14.6% from 16.3% reported in 2017 due to higher shareholders' equity.

The Group's underwriting results decreased slightly by 0.8% or RM2.3 million to RM303.5 million in 2018 from RM305.8 million in 2017, mainly attributed to the higher net claims incurred. The claims incurred ratio increased to 40.9% from 38.5% in 2017 and the combined ratio also increased to 67.3% from 64.0% in 2017. (Underwriting results is defined as Net Earned Premium – Net Claims Incurred + Commission Income – Commission Expenses – Management Expenses of Insurance Fund).

OPERATING REVENUE

The LPI Group's operating revenue rose by 2.9% or RM43.1 million to RM1,513.7 million from RM1,470.6 in 2017 mainly from higher gross earned premium which contributed 93.4% of the total operating revenue in 2018.

Operating Revenue	2018 RM'000	2017 RM'000	Variance RM'000	Variance %	Contribution 2018 %
Gross earned premium	**1,413,894**	1,380,627	33,267	2.4	**93.4**
Dividend income	**32,926**	28,191	4,735	16.8	**2.2**
Interest income	**65,961**	60,972	4,989	8.2	**4.3**
Rental of premises	**882**	841	41	4.9	**0.1**
Total	**1,513,663**	1,470,631	43,032	2.9	**100.0**

GROSS WRITTEN PREMIUMS AND GROSS EARNED PREMIUMS

The Group's gross written premiums grew 3.4% or RM48.1 million to RM1,469.4 million from RM1,421.3 million in 2017. Fire and Motor insurances were the largest contributors to the growth, which accounted for approximately 42.4% and 22.4% of the total gross written premium respectively in 2018. The gross earned premiums rose 2.4% or RM33.3 million to RM1,413.9 million from RM1,380.6 million in 2017. This was the result of organic growth and the continued expansion of its agency force and the strong contribution from its global partnership.

GROSS WRITTEN PREMIUMS BY CLASS OF BUSINESS

Class	2018 RM'000	2017 RM'000	Variance RM'000	Variance %	Contribution 2018 %
Fire	**622,759**	560,300	62,459	11.1	**42.4**
Motor	**328,988**	297,550	31,438	10.6	**22.4**
Marine	**75,335**	78,110	(2,775)	(3.6)	**5.1**
Miscellaneous	**442,295**	485,379	(43,084)	(8.9)	**30.1**
Total	**1,469,377**	1,421,339	48,038	3.4	**100.0**

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

GROSS EARNED PREMIUMS BY CLASS OF BUSINESS

Operating Revenue	2018 RM'000	2017 RM'000	Variance RM'000	Variance %	Contribution 2018 %
Fire	**596,110**	583,662	12,448	2.1	**42.2**
Motor	**309,951**	307,251	2,700	0.9	**21.9**
Marine	**77,729**	81,042	3,313	(4.1)	**5.5**
Miscellaneous	**430,104**	408,672	21,432	5.2	**30.4**
Total	**1,413,894**	1,380,627	33,267	2.4	**100.0**

NET EARNED PREMIUMS

The Group's net earned premiums increased in tandem with the higher gross earned premium by 9.5% or RM80.6 million to RM930.8 million when compared to RM850.2 million in 2017. The growth was mainly contributed by Miscellaneous and Motor classes of business.

NET EARNED PREMIUMS BY CLASS OF BUSINESS

Operating Revenue	2018 RM'000	2017 RM'000	Variance RM'000	Variance %	Contribution 2018 %
Fire	**392,598**	375,811	16,787	4.5	**42.2**
Motor	**287,251**	264,075	23,176	8.8	**30.9**
Marine	**18,952**	17,973	979	5.4	**2.0**
Miscellaneous	**232,033**	192,295	39,738	20.7	**24.9**
Total	**930,834**	850,154	80,680	9.5	**100.0**

OTHER INCOME

The Group's other income, consists mainly of investment income, realised gains on disposals of investment and commission income, decreased by 5.2% or RM11.6 million to RM210.7 million from RM222.3 million in 2017. The decrease was mainly due to lower commission income earned from reinsurers, resulting from the Group has increased its retention level in 2018.

INVESTMENT INCOME

Investment income increased by 10.9% or RM9.8 million to RM99.8 million from RM90.0 million in 2017 which comprised mainly dividend and interest. The Group's interest income from investment in fixed income securities and fixed deposits grew by 8.2% or RM5.0 million to RM66.0 million from RM61.0 million in 2017, whilst its dividend income from investment in equities and unit trusts increased by 16.8% or RM4.7 million to RM32.9 million from RM28.2 million in 2017.

REALISED GAINS AND LOSSES

During the financial year, the Group recorded a realised loss of RM70,000 from early redemption of a corporate debt security carried at amortised cost compared to realised gains of RM2.9 million recorded last year mainly from the disposal of equity instrument classified as available-for-sale.

FAIR VALUE GAINS AND LOSSES

As a result of adoption of MFRS 9, *Financial Instruments*, the Group measures its financial assets classified as fair value through profit or loss (FVTPL) at fair value and any changes in fair value is recognised as fair value gains or loss in the statement of profit or loss. During the year, the Group has registered a fair value gains of RM0.1 million from its unquoted equity securities and fair value losses of RM1.8 million arising from corporate debt securities of RM1.3 million, quoted equity securities of RM0.4 million and unit trusts of RM0.1 million.

COMMISSION INCOME

The Group's commission income decreased by 12.3% or RM14.6 million to RM104.0 million from RM118.6 million in 2017. The decrease was mainly due to lesser premiums ceded to reinsurers as the Group decided to retain more premiums, resulting in lower reinsurance commission income earned.

OTHER OPERATING INCOME

Other operating income of the Group decreased by 13.9% or RM1.1 million to RM6.8 million as compared to RM7.9 million in 2017 mainly due to lower investment income generated from Malaysian Motor Insurance Pool.

NET CLAIMS INCURRED

The Group's net claims incurred increased by 16.3% or RM53.3 million to RM381.0 million from RM327.7 million in 2017. The increase in the Group's net claims incurred was driven primarily by higher premium income. Our discipline and prudent risk selection and claims management enabling us to keep the claims incurred ratio at 40.9%, though increase slightly from 38.5% in 2017.

NET CLAIMS INCURRED BY CLASS OF BUSINESS

Class	2018 RM'000	2017 RM'000	Variance RM'000	Variance %	Contribution 2018 %
Fire	**52,326**	56,361	(4,035)	(7.2)	**13.7**
Motor	**210,745**	187,433	23,312	12.4	**55.3**
Marine	**2,919**	5,036	(2,117)	(42.0)	**0.8**
Miscellaneous	**114,978**	78,881	36,097	45.8	**30.2**
Total	**380,968**	327,711	53,257	16.3	**100.0**

ANALYSIS OF THE STATEMENT OF PROFIT OR LOSS

NET CLAIMS INCURRED RATIO BY CLASS OF BUSINESS

Class	2018 %	2017 %	Variance Percentage points
Fire	**13.3**	15.0	(1.7)
Motor	**73.4**	71.0	2.4
Marine	**15.4**	28.0	(12.6)
Miscellaneous	**49.6**	41.0	8.6
Total	**40.9**	38.5	2.4

COMMISSION EXPENSE

The Group managed to maintain commission expense at RM162.8 million despite with the growth in gross written premium of 3.4%.

MANAGEMENT EXPENSES

The management expenses of the Group increased by 6.6% or RM11.9 million to RM192.6 million from RM180.7 million in 2017. Higher revenue has led to a corresponding increase in personnel cost and marketing expenses, while the expansion of the Group's operations has also resulted in higher administrative expenses. The staff cost constituted RM118.2 million or 61.4% of the Group's total management expenses of RM192.6 million.

IMPAIRMENT LOSS ON INSURANCE RECEIVABLES

As a result of adoption of MFRS 9, *Financial Instruments*, the Group is required to recognise allowance for impairment on its financial assets by using "expected credit loss" ("ECL") model. During the year, the Group recognised RM1.3 million impairment loss on the insurance receivables compared to a net reversal of impairment loss of RM2.9 million recorded in 2017.

TAXATION

The Group's tax expense increased by RM2.1 million to RM92.0 million from RM89.9 million in 2017. The Group's effective tax rate for the current financial year was 22.7% which was lower than the statutory tax rate of 24.0%. The lower tax rate was mainly due to the tax-exempt dividends received.

STATEMENT OF RESPONSIBILITY
BY DIRECTORS

Pursuant to paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Company are drawn up in accordance with the requirements of the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, Bank Negara Malaysia's Guidelines and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Company are prepared with reasonable accuracy from the accounting records of the Group and the Company so as to give a true and fair view of the financial position of the Group and the Company as of 31 December 2018 and of their financial performance and cash flows for the year then ended.

In preparing the annual audited financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements on a going concern basis.

The Directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

for the year ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding activities while the principal activity of the subsidiary are as stated in Note 5 to the financial statements. There has been no significant change in the nature of this principal activity during the financial year.

SUBSIDIARY

The details of the Company's subsidiary are disclosed in Note 5 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	314,049	236,350

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

(i) In respect of the financial year ended 31 December 2017 as reported in the Directors' Report of that year:

- a second interim single tier dividend of 45.00 sen per ordinary share totalling RM149,393,614 declared on 10 January 2018 and paid on 6 February 2018.

(ii) In respect of the financial year ended 31 December 2018:

- a first interim single tier dividend of 26.00 sen per ordinary share totalling RM103,579,516 declared on 9 July 2018 and paid on 1 August 2018.

Subsequent to the financial year end, on 29 January 2019, the Directors declared a second interim single tier dividend of 42.00 sen per ordinary share on the issued and paid-up share capital as at the entitlement date on 18 February 2019 in respect of the financial year ended 31 December 2018. The dividend will be payable on 27 February 2019. The Directors do not propose any final dividend for the financial year ended 31 December 2018.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow
Tee Choon Yeow
Tan Kok Guan
Lee Chin Guan
Quah Poh Keat
Chan Kwai Hoe
Soo Chow Lai (appointed on 1 August 2018)

LIST OF DIRECTORS OF SUBSIDIARY

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiary during the financial year and up to the date of this report is as follows:

Tan Sri Dato' Sri Dr. Teh Hong Piow (cessation on 8 January 2019)
Tee Choon Yeow
Lee Chin Guan
Tan Kok Guan (cessation on 8 January 2018)
Looi Kong Meng (appointed on 8 January 2018)
Quah Poh Keat
Chan Kwai Hoe
Mohd Suffian Bin Haji Haron
Wong Ah Kow (appointed on 1 September 2018)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2018	**Bonus issue**	**Sold**	**At 31.12.2018**
Interests in the Company:				
Tan Sri Dato' Sri Dr. Teh Hong Piow				
- own	4,684,800	936,960	-	5,621,760
- deemed interest	142,015,200	28,403,040	-	170,418,240
Tee Choon Yeow				
- own	960,000	192,000	-	1,152,000
Tan Kok Guan				
- deemed interest	525,000	105,000	-	630,000
Lee Chin Guan				
- own	2,200,000	438,600	(138,600)	2,500,000

DIRECTORS' REPORT

for the year ended 31 December 2018

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

By virtue of their interests in the shares of the Company as shown above, Tan Sri Dato' Sri Dr. Teh Hong Piow is also deemed interested in the shares of the subsidiary during the financial year to the extent that LPI Capital Bhd has an interest.

None of the other Directors holding office at 31 December 2018 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations as disclosed in Note 27 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than a Director who have substantial financial interests in companies which traded with companies in the Group in the ordinary course of business as disclosed in Note 35 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up ordinary shares from 331,985,808 to 398,382,753 on the basis of one new ordinary share for every five existing ordinary shares by way of capitalisation of RM1.00 for each Bonus Share of RM6,258,124 from the share premium account and RM60,138,821 from retained earnings of the Company. The bonus issue exercise was completed on 12 April 2018 following the listing of and quotation for the 66,396,945 bonus shares on the Main Market of Bursa Malaysia Securities.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

The following disclosure on particulars of indemnity given to, or insurance effected for, any Director or officer of the Company is made pursuant to Section 289(7) of the Companies Act 2016:

	Amount paid RM'000	Sum insured RM'000
Directors and Officers Liability Insurance	36	28,000

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

(i) that would render the amount written off for impaired debts, or the amount of the provision for impaired debts and IBNR claims in the Group and in the Company inadequate to any substantial extent, or

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

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

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

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

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

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

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent liabilities and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

for the year ended 31 December 2018

AUDITORS

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

The auditors' remuneration is disclosed in Note 26 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tee Choon Yeow
Director

Tan Kok Guan
Director

Date: 29 January 2019

STATEMENTS
OF FINANCIAL POSITION
as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Plant and equipment	3	**18,259**	17,138	**327**	435
Investment properties	4	**27,360**	27,270	**-**	-
Investment in a subsidiary	5	**-**	-	**200,000**	200,000
Investment in an associated company	6	**31,564**	26,877	**10,833**	10,833
Other investments		**1,368,652**	1,146,699	**1,062,949**	893,580
- Fair value through other comprehensive income	7(a)	**1,090,899**	-	**1,052,813**	-
- Fair value through profit or loss	7(b)	**179,831**	-	**10,136**	-
- Amortised cost	7(c)	**97,922**	-	**-**	-
- Available-for-sale	7(d)	**-**	927,356	**-**	883,580
- Held-to-maturity	7(e)	**-**	219,343	**-**	10,000
Reinsurance assets	8	**819,596**	692,791	**-**	-
Loans and receivables, excluding insurance receivables	9(a)	**1,351,063**	1,419,352	**116,280**	101,911
Insurance receivables	9(b)	**159,997**	156,379	**-**	-
Deferred acquisition costs	10	**45,553**	33,650	**-**	-
Cash and cash equivalents	11	**418,509**	294,459	**31,798**	63,076
Total assets		**4,240,553**	3,814,615	**1,422,187**	1,269,835
Equity					
Share capital		**398,383**	338,244	**398,383**	338,244
Reserves		**1,758,402**	1,582,667	**1,022,454**	929,750
Total equity	12	**2,156,785**	1,920,911	**1,420,837**	1,267,994
Liabilities					
Insurance contract liabilities	13	**1,858,994**	1,636,422	**-**	-
Deferred tax liabilities	14	**4,893**	1,001	**-**	-
Finance lease liabilities	15	**-**	899	**-**	-
Insurance payables	16	**88,498**	121,894	**-**	-
Other payables	17	**107,112**	110,817	**1,163**	1,198
Current tax payables		**24,271**	22,671	**187**	643
Total liabilities		**2,083,768**	1,893,704	**1,350**	1,841
Total equity and liabilities		**4,240,553**	3,814,615	**1,422,187**	1,269,835

The notes on pages 161 to 279 are an integral part of these financial statements.

STATEMENTS
OF PROFIT OR LOSS
for the year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue	18	**1,513,663**	1,470,631	**244,689**	203,221
Gross written premiums	19	**1,469,377**	1,421,339	**-**	-
Change in unearned premiums provision	19	**(55,483)**	(40,712)	**-**	-
Gross earned premiums	19	**1,413,894**	1,380,627	**-**	-
Gross written premiums ceded to reinsurers	19	**(464,785)**	(553,838)	**-**	-
Change in unearned premiums provision	19	**(18,275)**	23,365	**-**	-
Premiums ceded to reinsurers	19	**(483,060)**	(530,473)	**-**	-
Net earned premiums	19	**930,834**	850,154	**-**	-
Investment income	20	**99,769**	90,004	**244,689**	203,221
Realised gains	21	**-**	2,966	**-**	1,471
Fair value gains	22	**105**	-	**-**	-
Commission income	23	**104,015**	118,560	**-**	-
Net reversal of impairment loss on insurance receivables		**-**	2,915	**-**	-
Other operating income	24	**6,831**	7,905	**-**	59
Other income		**210,720**	222,350	**244,689**	204,751
Gross claims paid	25	**(520,254)**	(510,816)	**-**	-
Claims ceded to reinsurers	25	**161,008**	187,144	**-**	-
Gross change in claims liabilities	25	**(166,648)**	10,298	**-**	-
Change in claims liabilities ceded to reinsurers	25	**144,926**	(14,337)	**-**	-
Net claims incurred	25	**(380,968)**	(327,711)	**-**	-

The notes on pages 161 to 279 are an integral part of these financial statements.

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Realised losses	21	**(70)**	-	**-**	-
Fair value losses	22	**(1,820)**	-	**(254)**	-
Commission expense	23	**(162,840)**	(162,796)	**-**	-
Management expenses	26	**(192,608)**	(180,734)	**(6,546)**	(5,695)
Net impairment loss on insurance receivables	33.4	**(1,285)**	-	**-**	-
Impairment loss on investments carried at amortised cost	33.4	**(9)**	-	**-**	-
Other expenses		**(358,632)**	(343,530)	**(6,800)**	(5,695)
Operating profit		**401,954**	401,263	**237,889**	199,056
Finance cost		**(4)**	(3)	**-**	-
Share of profit after tax of equity accounted associated company		**4,015**	2,489	**-**	-
Profit before tax		**405,965**	403,749	**237,889**	199,056
Tax expense	28	**(91,916)**	(89,955)	**(1,539)**	(2,176)
Profit for the year		**314,049**	313,794	**236,350**	196,880
Profit attributable to:					
Owners of the Company		**314,049**	313,794	**236,350**	196,880
Earnings per ordinary share (sen)					
Basic	29	**78.83**	78.77		

The notes on pages 161 to 279 are an integral part of these financial statements.

STATEMENTS
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit for the year		**314,049**	313,794	**236,350**	196,880
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation		**1,006**	(4,796)	**-**	-
Net gains on investments in available-for-sale assets		**-**	49,263	**-**	46,436
Net gains on investments in available-for-sale assets reclassified to profit or loss on disposal		**-**	(2,513)	**-**	(1,471)
Income tax relating to these items	28	**-**	75	**-**	-
Items that will not be reclassified to profit or loss					
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**175,343**	-	**169,233**	-
Income tax relating to these items	28	**(3,715)**	-	**-**	-
Total other comprehensive income for the year, net of tax		**172,634**	42,029	**169,233**	44,965
Total comprehensive income for the year attributable to owners of the Company		**486,683**	355,823	**405,583**	241,845

The notes on pages 161 to 279 are an integral part of these financial statements.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
for the year ended 31 December 2018

Group	Note	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
		Non-distributable				*Distributable*	
At 1 January 2017		331,986	6,258	27,073	713,601	758,398	1,837,316
Foreign currency translation differences for foreign operation		-	-	(4,796)	-	-	(4,796)
Fair value of available-for-sale financial assets		-	-	-	46,825	-	46,825
Total other comprehensive (loss)/ income for the year		-	-	(4,796)	46,825	-	42,029
Profit for the year		-	-	-	-	313,794	313,794
Total comprehensive (loss)/ income for the year		-	-	(4,796)	46,825	313,794	355,823
Distributions to owners of the Company							
Dividends to owners of the Company	30	-	-	-	-	(272,228)	(272,228)
Total transaction with owners of the Company		-	-	-	-	(272,228)	(272,228)
Transfer in accordance with Section 618(2) of the Companies Act 2016		6,258	(6,258)	-	-	-	-
At 31 December 2017		338,244	-	22,277	760,426	799,964	1,920,911
		Note 12.1	Note 12.2	Note 12.3	Note 12.4		

The notes on pages 161 to 279 are an integral part of these financial statements.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY (CONTINUED)
for the year ended 31 December 2018

Group	Note	Share capital RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
		← *Non-distributable*		→	*Distributable*	
At 31 December 2017		338,244	22,277	760,426	799,964	1,920,911
Changes on initial application of MFRS 9		-	-	(1,672)	3,993	2,321
At 1 January 2018		**338,244**	**22,277**	**758,754**	**803,957**	**1,923,232**
Foreign currency translation differences for foreign operation		**-**	**1,006**	**-**	**-**	**1,006**
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**-**	**-**	**171,628**	**-**	**171,628**
Total other comprehensive income for the year		**-**	**1,006**	**171,628**	**-**	**172,634**
Profit for the year		**-**	**-**	**-**	**314,049**	**314,049**
Total comprehensive income for the year		**-**	**1,006**	**171,628**	**314,049**	**486,683**
Contributions from/ (Distributions to) owners of the Company						
Issue of Ordinary Shares						
- Pursuant to bonus issue		**60,139**	**-**	**-**	**(60,139)**	**-**
- Expenses for issuance of equity securities		**-**	**-**	**-**	**(157)**	**(157)**
Dividends to owners of the Company	30	**-**	**-**	**-**	**(252,973)**	**(252,973)**
Total transactions with owners of the Company		**60,139**	**-**	**-**	**(313,269)**	**(253,130)**
At 31 December 2018		**398,383**	**23,283**	**930,382**	**804,737**	**2,156,785**
		Note 12.1	Note 12.3	Note 12.4		

The notes on pages 161 to 279 are an integral part of these financial statements.

STATEMENT
OF CHANGES IN EQUITY
for the year ended 31 December 2018

Company	Note	← Non-distributable Share capital RM'000	Share premium RM'000	→ Fair value reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2017		331,986	6,258	587,555	372,578	1,298,377
Fair value of available-for-sale financial assets		-	-	44,965	-	44,965
Total other comprehensive income for the year		-	-	44,965	-	44,965
Profit for the year		-	-	-	196,880	196,880
Total comprehensive income for the year		-	-	44,965	196,880	241,845
Distributions to owners of the Company						
Dividends to owners of the Company	30	-	-	-	(272,228)	(272,228)
Total transaction with owners of the Company		-	-	-	(272,228)	(272,228)
Transfer in accordance with Section 618(2) of the Companies Act 2016		6,258	(6,258)	-	-	-
At 31 December 2017		338,244	-	632,520	297,230	1,267,994
		Note 12.1	Note 12.2	Note 12.4		

Company	Note	← Non-distributable Share capital RM'000	→ Fair value reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 31 December 2017		338,244	632,520	297,230	1,267,994
Changes on initial application of MFRS 9		-	-	390	390
At 1 January 2018		**338,244**	**632,520**	**297,620**	**1,268,384**
Net gains on investments in equity instruments designated at fair value through other comprehensive income		**-**	**169,233**	**-**	**169,233**
Total other comprehensive income for the year		**-**	**169,233**	**-**	**169,233**
Profit for the year		**-**	**-**	**236,350**	**236,350**
Total comprehensive income for the year		**-**	**169,233**	**236,350**	**405,583**
Contributions from/ (Distributions to) owners of the Company					
Issue of Ordinary Shares					
- Pursuant to bonus issue	30	**60,139**	**-**	**(60,139)**	**-**
- Expenses for issuance of equity securities		**-**	**-**	**(157)**	**(157)**
Dividends to owners of the Company		**-**	**-**	**(252,973)**	**(252,973)**
Total transactions with owners of the Company		**60,139**	**-**	**(313,269)**	**(253,130)**
At 31 December 2018		**398,383**	**801,753**	**220,701**	**1,420,837**
		Note 12.1	Note 12.4		

The notes on pages 161 to 279 are an integral part of these financial statements.

STATEMENTS
OF CASH FLOWS
for the year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating activities				
Profit before tax	**405,965**	403,749	**237,889**	199,056
Investment income	**(99,769)**	(90,004)	**(244,689)**	(203,221)
Net realised losses/ (gains) recorded in profit or loss	**70**	(2,966)	**-**	(1,471)
Net fair value losses recorded in profit or loss	**1,741**	-	**254**	-
Share of profit of equity accounted associated company	**(4,015)**	(2,489)	**-**	-
Purchase of available-for-sale financial assets	**-**	(886)	**-**	(225)
Proceeds from disposal of available-for-sale financial assets	**-**	12,416	**-**	9,970
Purchase of held-to-maturity financial assets	**-**	(48,170)	**-**	-
Maturity of held-to-maturity financial assets	**-**	71,773	**-**	-
Proceeds from disposal of financial assets carried at fair value through profit or loss	**63**	-	**-**	-
Purchase of financial assets carried at fair value through profit or loss	**(47,886)**	-	**-**	-
Purchase of financial assets carried at amortised cost	**(22,911)**	-	**-**	-
Maturity of financial assets carried at amortised cost	**6,081**	-	**-**	-
Maturity of financial assets carried at fair value through profit or loss	**20,000**	-	**-**	-
Interest on finance lease liabilities	**4**	3	**-**	-
Non-cash items:				
Depreciation of plant and equipment	**3,285**	3,185	**121**	122
Write off of plant and equipment	**3**	3	**-**	-
Unrealised foreign exchange (gain)/ loss	**(689)**	215	**-**	-
Impairment loss/ (reversal of impairment loss) on insurance receivables	**1,285**	(2,915)	**-**	-
Impairment loss on investments carried at amortised cost	**9**	-	**-**	-

STATEMENTS
OF CASH FLOWS (CONTINUED)
for the year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating activities (continued)				
Changes in working capital:				
Decrease/ (Increase) in loans and receivables	**68,452**	(164,149)	**(14,369)**	39,071
Increase in reinsurance assets	**(126,651)**	(9,028)	**-**	-
Increase in insurance receivables	**(5,752)**	(2,970)	**-**	-
Increase in deferred acquisition costs	**(11,900)**	(3,166)	**-**	-
Increase in insurance contract liabilities	**222,131**	30,414	**-**	-
(Decrease)/ Increase in insurance payables	**(33,403)**	42,150	**-**	-
(Decrease)/ Increase in other payables	**(3,810)**	5,849	**(35)**	331
Cash generated from/ (used in) operating activities	**372,303**	243,014	**(20,829)**	43,633
Dividend income received	**32,926**	28,191	**238,063**	195,414
Interest income received	**66,055**	61,035	**6,626**	7,807
Rental income on investment property received	**882**	841	**-**	-
Income tax paid	**(90,704)**	(90,355)	**(1,995)**	(2,125)
Net cash flows generated from operating activities	**381,462**	242,726	**221,865**	244,729
Investing activities				
Proceeds from disposal of plant and equipment	**-**	712	**-**	118
Purchase of plant and equipment	**(4,399)**	(6,648)	**(13)**	(118)
Net cash flows used in investing activities	**(4,399)**	(5,936)	**(13)**	-
Financing activities				
Expenses for issuance of equity securities	**(157)**	-	**(157)**	-
Dividends paid to owners of the Company	**(252,973)**	(272,228)	**(252,973)**	(272,228)
Repayment of finance lease liabilities	**(906)**	(17)	**-**	-
Net cash flows used in financing activities	**(254,036)**	(272,245)	**(253,130)**	(272,228)
Net increase/ (decrease) in cash and cash equivalents	**123,027**	(35,455)	**(31,278)**	(27,499)
Cash and cash equivalents at 1 January	**294,459**	332,517	**63,076**	90,575
Effect of movement in exchange rates	**1,023**	(2,603)	**-**	-
Cash and cash equivalents at 31 December (Note 11)	**418,509**	294,459	**31,798**	63,076

Acquisition of plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of Nil (2017: RM7,561,000), of which Nil (2017: RM913,000) were acquired by means of finance lease.

The notes on pages 161 to 279 are an integral part of these financial statements.

NOTES
TO THE FINANCIAL STATEMENTS

LPI Capital Bhd is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its principal place of business and registered office of the Company are as follows:

PRINCIPAL PLACE OF BUSINESS/ REGISTERED OFFICE

6th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiary (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associated company. The financial statements of the Company as at and for the year ended 31 December 2018 do not include other entities.

The Company is principally engaged in investment holding activities while the principal activity of the subsidiary is stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 29 January 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combination – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and* MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2019 for those accounting standards that are effective for annual periods beginning on or after 1 January 2019 except for Amendments to MFRS 11 which is not applicable to the Group and the Company;

- from the annual period beginning on 1 January 2020 for the accounting standards that are effective for annual periods beginning on or after 1 January 2020; and

- from the annual period beginning on 1 January 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

The initial application of the abovementioned standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Group and of the Company except as mentioned below:

MFRS 16, *Leases*

The Group and the Company are required to adopt MFRS 16 Leases from 1 January 2019. The Group and the Company have assessed the estimated impact that initial application of MFRS 16 will have on the consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 16, *Leases* (continued)

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

MFRS 16 replaces existing leases guidance, including MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

(i) Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group plans to apply MFRS 16 initially on 1 January 2019, using modified retrospective approach. The Group chooses to measure the right-of-use asset equals to the lease liability at 1 January 2019 with no restatement of comparative information.

Based on the information currently available, the Group estimates that it will recognise lease liabilities and right-of-use assets of RM22,863,000 as at 1 January 2019. The Group does not expect the adoption of MFRS 16 to impact its ability to comply with the regulatory capital requirements described in Note 34.

(ii) Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

MFRS 17, *Insurance Contracts*

MFRS 17 was issued by MASB in August 2017. The standard will replace the existing MFRS 4 and establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. The Group is currently assessing the financial impact of adopting MFRS 17.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 2(d) and Note 4	- Valuation of investment properties
Note 2(f)(i) and Note 33.4 (iv)	- Measurement of expected credit loss ("ECL") allowance for financial assets
Note 2(m), (n) and Note 32	- Valuation of claims and premium liabilities

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated. This is the first set of the Group's and the Company's annual financial statements in which MFRS 9, *Financial Instruments* have been applied. The effect of the changes in accounting policies arising from adoption of MFRS 9 are disclosed in Note 39.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

(v) Associated companies

Associated companies are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of investments includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associated company, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) Associated companies (continued)

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

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

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

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

(vi) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated into the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences are generally recognised in the profit or loss. However, foreign currency differences arising from the translation of an investment in equity securities designated as at fair value through other comprehensive income ("FVOCI") are recognised in other comprehensive income ("OCI") (2017: available-for-sale equity securities (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)).

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

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

Financial statements of Singapore Branch of a subsidiary

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

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

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

(c) Plant and equipment

(i) Recognition and measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties

Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefit are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(e) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus or minus, for a financial asset or financial liability not measured at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets – Accounting policies applied from 1 January 2018

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

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

Amortised cost

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurements (continued)

Financial assets – Accounting policies applied from 1 January 2018 (continued)

FVOCI – debt securities

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI – equity securities

On initial recognition of an equity investment that is not held for trading, the Group or the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment (see Note 2(f)(i)).

Business model assessment

The Group or the Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;

- how the performance of the portfolio is evaluated and reported to the Group or the Company's management;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurements (continued)

Financial assets – Accounting policies applied from 1 January 2018 (continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group or the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group or the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group or the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group or the Company's claim to cash flows from specified assets - e.g. non-recourse features.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurements (continued)

Financial assets – Accounting policies applied from 1 January 2018 (continued)

A prepayment feature is consistent with the 'solely payments of principal and interest' criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(f)(i)) where the effective interest rate is applied to the amortised cost.
Debt securities at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(f)(i)) where the effective interest rate is applied to the amortised cost.
Equity securities at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Financial assets – Accounting policies applied until 31 December 2017

Classification

The Group or the Company classified its financial assets into one of the following categories:

- available-for-sale
- held-to-maturity; and
- loans and receivables

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurements (continued)

Financial assets – Accounting policies applied until 31 December 2017 (continued)

Subsequent measurement and gains and losses

Available-for-sale financial assets	Measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.
Held-to-maturity financial asset	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.

Financial liabilities

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost using the effective interest method. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group or the Company derecognises a financial asset or part of it when, and only when, the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group or the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group or the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of ownership of the transferred assets are not derecognised. In these cases, the transferred assets are not derecognised.

On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Group or the Company generally derecognises a financial liability or part of it when, and only when, its contractual obligations are discharged or cancelled, or expires. The Group or the Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(f) Impairment

(i) Financial assets

Accounting policies applied from 1 January 2018

The Group or the Company recognises allowance for impairment for expected credit loss (“ECL”) on financial assets measured at amortised cost and debt securities measured at FVOCI.

The Group or the Company measures allowance for impairment at an amount equal to lifetime ECL, except for the following which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, cash and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Allowance for impairment for insurance and reinsurance receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group or the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group or the Company’s historical experience and informed credit assessment and including forward-looking information, where available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group or the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group or the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group or the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Group or the Company on terms that the Group or the Company would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Presentation of allowance for impairment in the statement of financial position

Allowance for impairment for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the allowance for impairment is charged to profit or loss. The loss allowance does not reduce the carrying amount of the financial asset in the statement of financial position and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group or the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group or the Company makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The Group or the Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group or the Company's procedures for recovery of amounts due.

Accounting policies applied until 31 December 2017

Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiary and investment in an associated company) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables where the policy is set out below) and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Financial assets (continued)

Accounting policies applied from 31 December 2017 (continued)

Financial assets, excluding insurance receivables (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of other assets (except for deferred tax assets and investment properties that are measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash generating unit (groups of cash-generating units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Group or the Company in the management of their short-term commitments.

(h) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(e)(iii), have been met.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair values arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(j) Product classification

The Group issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

(k) Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent amounts recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of a reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance, if any, are recognised in profit or loss immediately at the date of purchase and are not amortised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Reinsurance (continued)

The Group also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(l) Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to profit or loss in the period in which they are incurred or deferred where appropriate as set out in Note 2(m).

(m) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account inter alia reinsurances, commissions, unearned premium reserves and claims incurred.

Premium income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period except for treaty inwards reinsurance premiums which are recognised on the basis of periodic advices/ accounts received from ceding insurers.

Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise provision for unearned premiums and provision for outstanding claims.

Provision for unearned premiums

Provision for unearned premiums is the higher of the aggregate of the unearned premium reserves (“UPR”) for all lines of business and the best estimate value of the unexpired risk reserves (“URR”) at the required risk margin for adverse deviation.

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) General insurance underwriting results (continued)

***Provision for unearned premiums* (continued)**

Unearned premium reserves

The UPR represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

The calculation method:

(i) 25% method for marine cargo, aviation cargo and transit business.
(ii) 1/365th method for all other classes of direct and facultative inwards business.
(iii) 1/24th method for all treaty inwards business.

The UPR calculation is adjusted for additional UPR in respect of premiums ceded to overseas reinsurers as required under the guidelines issued by Bank Negara Malaysia.

Unexpired risk reserves

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

Provision for outstanding claims

Provision for outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of the reporting period. The liability is calculated at the reporting date by the appointed actuary using projection techniques as set out in Note 2(n) that included a regulatory risk margin for adverse deviation ("PRAD"). The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) General insurance underwriting results (continued)

Acquisition costs and deferred acquisition costs ("DAC")

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

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

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

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

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

(n) Valuation of general insurance contract liabilities

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

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

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

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

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

NOTES
TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

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

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

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

(p) Other income recognition

(i) Interest income

Interest income from investments with fixed or determinable payment and fixed maturity are recognised using the effective interest rate method.

Interest income on loans are recognised on an accrual basis except where a loan is considered non-performing (i.e. where repayments are in arrears for more than six (6) months), in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

(ii) Rental income

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

(iii) Dividend income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(r) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

(s) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Leased assets (continued)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(t) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(v) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(w) Earnings per share ("EPS")

The Group presents basic EPS data for its ordinary shares.

Basic EPS are calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group or the Company can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

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

NOTES
TO THE FINANCIAL STATEMENTS

3. PLANT AND EQUIPMENT

Group	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2017	1,552	6,673	7,851	32,418	4,870	7,378	60,742
Additions	89	151	1,602	3,492	1,378	849	7,561
Disposals	(108)	(274)	(1,073)	(1,067)	(3,172)	-	(5,694)
Written off	(15)	(7)	-	(277)	-	-	(299)
Transfer to plant and equipment	-	-	198	99	-	(297)	-
Effect of movement in exchange rates	(3)	(10)	(29)	(42)	(8)	-	(92)
At 31 December 2017/ 1 January 2018	**1,515**	**6,533**	**8,549**	**34,623**	**3,068**	**7,930**	**62,218**
Additions	**374**	**404**	**19**	**1,302**	**30**	**2,270**	**4,399**
Disposals	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Written off	**(96)**	**(9)**	**-**	**(23)**	**-**	**-**	**(128)**
Transfer to plant and equipment	**-**	**-**	**682**	**99**	**-**	**(781)**	**-**
Effect of movement in exchange rates	**-**	**1**	**5**	**6**	**3**	**-**	**15**
At 31 December 2018	**1,792**	**6,929**	**9,255**	**36,007**	**3,101**	**9,419**	**66,503**

3. PLANT AND EQUIPMENT (CONTINUED)

Group	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation							
At 1 January 2017	1,276	6,407	7,450	29,253	3,314	-	47,700
Depreciation for the year	160	151	595	1,783	496	-	3,185
Disposals	(107)	(250)	(1,074)	(833)	(3,171)	-	(5,435)
Written off	(15)	(7)	-	(274)	-	-	(296)
Effect of movement in exchange rates	(3)	(9)	(29)	(26)	(7)	-	(74)
At 31 December 2017/ 1 January 2018	**1,311**	**6,292**	**6,942**	**29,903**	**632**	**-**	**45,080**
Depreciation for the year	**131**	**168**	**517**	**1,858**	**611**	**-**	**3,285**
Disposals	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Written off	**(93)**	**(9)**	**-**	**(23)**	**-**	**-**	**(125)**
Effect of movement in exchange rates	**-**	**-**	**2**	**3**	**-**	**-**	**5**
At 31 December 2018	**1,348**	**6,451**	**7,461**	**31,741**	**1,243**	**-**	**48,244**
Carrying amounts							
At 1 January 2017	276	266	401	3,165	1,556	7,378	13,042
At 31 December 2017/ 1 January 2018	**204**	**241**	**1,607**	**4,720**	**2,436**	**7,930**	**17,138**
At 31 December 2018	**444**	**478**	**1,794**	**4,266**	**1,858**	**9,419**	**18,259**

NOTES
TO THE FINANCIAL STATEMENTS

3. PLANT AND EQUIPMENT (CONTINUED)

Company	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2017	608	-	608
Additions	118	-	118
Disposals	(118)	-	(118)
At 31 December 2017/ 1 January 2018	**608**	**-**	**608**
Additions	**-**	**13**	**13**
At 31 December 2018	**608**	**13**	**621**
Accumulated Depreciation			
At 1 January 2017	51	-	51
Depreciation for the year	122	-	122
At 31 December 2017/ 1 January 2018	**173**	**-**	**173**
Depreciation for the year	**121**	**-**	**121**
At 31 December 2018	**294**	**-**	**294**
Carrying amounts			
At 1 January 2017	557	-	557
At 31 December 2017/ 1 January 2018	**435**	**-**	**435**
At 31 December 2018	**314**	**13**	**327**

3.1 Leased plant and equipment

At 31 December 2018, the net carrying amount of leased plant and equipment of the Group was Nil (2017: RM895,000).

3.2 Fully depreciated assets

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

Group	2018 RM'000	2017 RM'000
At cost:		
Office equipment	**1,155**	1,479
Furniture and fittings	**6,149**	6,520
Renovation	**6,406**	7,377
Computers	**28,815**	29,970
Motor vehicles	**16**	398

4. INVESTMENT PROPERTIES

Group	2018 RM'000	2017 RM'000
At 1 January	**27,270**	27,900
Effect of movement in exchange rates	**90**	(630)
At 31 December	**27,360**	27,270

Investment properties comprise commercial properties that are leased to third parties. Each of the leases consists of an average lease term of 2 years. Subsequent renewals are negotiated with the lessee and average renewal periods are 2 years. No contingent rents are charged.

The fair value measurement for investment properties has been categorised as a Level 2 fair value based on the inputs to the valuation technique used. The fair values are derived by using the sales comparison method. Sales price of comparable properties in close proximity are adjusted for any differences in key attributes such as location, master plan zoning, size, design and layout, tenure, age and condition of buildings and the dates of transactions. The most significant input into this valuation approach is price per square foot of comparable properties.

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

Group	Note	2018 RM'000	2017 RM'000
Rental income	18, 20	**882**	841
Direct operating expenses		**(107)**	(86)

Fair value information

Fair value of investment properties are categorised as follows:

	Level 2 RM'000	Total RM'000
2018		
Buildings	**27,360**	**27,360**
2017		
Buildings	27,270	27,270

4. INVESTMENT PROPERTIES (CONTINUED)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of buildings have been generally derived using the sales comparison method. Sales price of comparable properties in close proximity are adjusted for any differences in key attributes such as location, master plan zoning, size, design and layout, tenure, age and condition of buildings and the dates of transactions. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between levels

There is no transfer between levels during the financial year (2017: no transfer).

5. INVESTMENT IN A SUBSIDIARY

	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	**200,000**	200,000

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

Name of subsidiary	Principal activity	Effective ownership interest and voting interest 2018 %	2017 %
Lonpac Insurance Bhd	Underwriting of general insurance	**100**	100

6. INVESTMENT IN AN ASSOCIATED COMPANY

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
At cost				
Unquoted shares	**10,833**	10,833	**10,833**	10,833
Share of post-acquisition reserves*	**16,977**	12,962	**-**	-
Effect of movement in exchange rates	**3,754**	3,082	**-**	-
	31,564	26,877	**10,833**	10,833

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

6. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

The Group's share in the results of the associated company, Campu Lonpac Insurance Plc, a company incorporated in Cambodia, is as follows:

	2018 RM'000	2017 RM'000
Group's share of results for the year ended 31 December		
Group's share of profit or loss from continuing operations	**4,015**	2,489
Effect of movement in exchange rate	**672**	(2,408)
	4,687	81

7. OTHER INVESTMENTS

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

	Group 2018 RM'000	Company 2018 RM'000
At fair value		
Investment in securities designated at FVOCI		
Equity securities in corporation		
Quoted in Malaysia	**1,090,899**	**1,052,813**

The Group's and the Company's investment in equity securities of corporation quoted in Malaysia is investment in ordinary shares of Public Bank Berhad, a company in which a Director has substantial financial interest, with a carrying value of RM1,090,899,000 and RM1,052,813,000 respectively.

This investment of the Group and the Company was previously classified as AFS under MFRS 139 with a carrying value of RM915,544,000 and RM883,580,000 respectively as at 31 December 2017 as disclosed in Note 7(d).

7. OTHER INVESTMENTS (CONTINUED)

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

	Group 2018 RM'000	Company 2018 RM'000
At fair value		
Investment mandatory measured at FVTPL		
Unit trust		
Quoted in Malaysia	36,009	-
Real estate investment trusts ("REITs")		
Quoted in Malaysia	2,365	-
Exchange-traded fund ("ETF")		
Quoted outside Malaysia	590	-
Equity securities in corporations		
Quoted outside Malaysia	3,635	-
Unquoted in Malaysia	1,328	-
	4,963	-
Corporate bonds and sukuk		
Unquoted in Malaysia	126,695	10,136
Unquoted outside Malaysia	9,209	-
	135,904	10,136
Total FVTPL	179,831	10,136

Included in the Group's and the Company's investments in unquoted corporate bonds and sukuk are investments in bonds issued by Public Bank Berhad, a company in which a Director has substantial financial interest, with a carrying value of RM45,512,000 and RM10,136,000 respectively.

These investments of the Group and the Company were previously classified as HTM under MFRS 139 with a carrying value of RM50,000,000 and RM10,000,000 respectively as at 31 December 2017 as disclosed in Note 7(e).

7. OTHER INVESTMENTS (CONTINUED)

(c) Amortised cost ("AC")

	Note	Group 2018 Carrying value RM'000	Group 2018 Fair value RM'000
At amortised cost			
Malaysian government guaranteed loans		**40,033**	**40,420**
Corporate bonds and sukuk			
Unquoted in Malaysia		**45,002**	**45,098**
Unquoted outside Malaysia		**12,909**	**12,903**
		57,911	**58,001**
Allowance for impairment	33.4	**(22)**	**-**
		57,889	**58,001**
Total AC		**97,922**	**98,421**

Included in the Group's investment in unquoted corporate bonds and sukuk is investment in bonds issued by Public Bank Berhad, a company in which a Director has substantial financial interest, with a carrying value of RM10,000,000.

This investment was previously classified as HTM under MFRS 139 with a carrying value of RM5,000,000 as at 31 December 2017 as disclosed in Note 7(e).

(d) Available-for-sale ("AFS")

	Group 2017 RM'000	Company 2017 RM'000
At fair value		
Unit trust		
Quoted in Malaysia	5,976	-
Real estate investment trusts ("REITs")		
Quoted in Malaysia	978	-
Exchange-traded fund ("ETF")		
Quoted outside Malaysia	631	-
Equity securities in corporations		
Quoted in Malaysia	915,544	883,580
Quoted outside Malaysia	3,992	-
Unquoted in Malaysia	235	-
	919,771	883,580
Total AFS	927,356	883,580

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TO THE FINANCIAL STATEMENTS

7. OTHER INVESTMENTS (CONTINUED)

(d) Available-for-sale ("AFS") (continued)

Included in the Group's and Company's investments in equity securities of corporations quoted in Malaysia are investments in ordinary shares of Public Bank Berhad, a company in which a Director has substantial financial interest, with a carrying value of RM915,544,000 and RM883,580,000 respectively.

(e) Held-to-maturity ("HTM")

	Group 2017		Company 2017	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
At amortised cost				
Malaysian government guaranteed loans	40,055	40,344	-	-
Corporate bonds and sukuk				
Unquoted in Malaysia	169,992	172,742	10,000	10,390
Unquoted outside Malaysia	9,296	9,120	-	-
Total HTM	219,343	222,206	10,000	10,390

Included in the Group's and Company's investments in unquoted corporate bonds and sukuk were investments in bonds issued by Public Bank Berhad, a company in which a Director had substantial financial interest, with a carrying value of RM55,000,000 and RM10,000,000 respectively.

(f) Estimation of fair values

The fair values of quoted securities, unit trust, real estate investment trusts and exchange-traded fund are their last quoted bid prices at the end of the reporting period.

The fair values for Malaysian government guaranteed loans are the indicative mid market prices quoted by the regulatory agencies at the end of the reporting period.

The estimated fair values of unquoted corporate bonds and sukuk are based on the average indicative mid market prices obtained from three independent licensed financial institutions.

The fair value of the unquoted equity instrument is determined to approximate the net assets value of the investee as it is immaterial in the context of the financial statements.

7. OTHER INVESTMENTS (CONTINUED)

(f) Estimation of fair values (continued)

The following debt securities mature after 12 months:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fair value through profit or loss	**75,023**	-	**-**	-
Amortised cost	**82,925**	-	**-**	-
Held-to-maturity	**-**	193,212	**-**	10,000

(g) Carrying values of other investments

The following tables show the movement of carrying values of other investments under original classification in accordance with MFRS 139 and new classification upon adoption of MFRS 9 as at 1 January 2018.

(i) Original classification under MFRS 139

	AFS RM'000	HTM RM'000	Total RM'000
Group			
At 1 January 2017	889,779	243,203	1,132,982
Addition/ Dividend	886	48,170	49,056
Disposal/ Maturity	(12,416)	(71,773)	(84,189)
Fair value gain recorded in:			
Other comprehensive income	49,263	-	49,263
Amortisation	-	(75)	(75)
Accretion	-	12	12
Effect of movement in exchange rates	(156)	(194)	(350)
At 31 December 2017	927,356	219,343	1,146,699
Company			
At 1 January 2017	846,889	10,000	856,889
Addition/ Dividend	225	-	225
Disposal/ Maturity	(9,970)	-	(9,970)
Fair value gain recorded in:			
Other comprehensive income	46,436	-	46,436
At 31 December 2017	883,580	10,000	893,580

7. OTHER INVESTMENTS (CONTINUED)

(g) Carrying values of other investments (continued)

(ii) New classification under MFRS 9

	FVOCI RM'000	FVTPL RM'000	AC RM'000	Total RM'000
Group				
At 1 January 2018	915,544	153,790	81,177	1,150,511
Addition/ Dividend	-	47,886	22,911	70,797
Disposal/ Maturity	-	(20,063)	(6,151)	(26,214)
Fair value gain/ (loss) recorded in:				
Profit or loss	-	(1,741)	-	(1,741)
Other comprehensive income	175,343	-	-	175,343
Amortisation	-	(75)	(26)	(101)
Accretion	-	7	-	7
Impairment loss	-	-	(9)	(9)
Effect of movement in exchange rates	12	27	20	59
At 31 December 2018	1,090,899	179,831	97,922	1,368,652

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

8. REINSURANCE ASSETS

	Note	Group 2018 RM'000	Group 2017 RM'000
Reinsurance of insurance contracts			
Claims liabilities	13	**607,290**	462,260
Premium liabilities	13	**212,306**	230,531
		819,596	692,791

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Staff loans				
Receivable within twelve months	**3,617**	3,428	**-**	-
Receivable after twelve months	**27,544**	30,796	**-**	-
	31,161	34,224	**-**	-
Fixed and call deposits with licensed financial institutions with maturity more than three months				
Licensed banks in Malaysia	**1,150,411**	1,153,336	**114,000**	100,100
Banks outside Malaysia	**80,516**	132,916	**-**	-
	1,230,927	1,286,252	**114,000**	100,100
Other receivables				
Due from Malaysian Motor Insurance Pool	**52,898**	59,220	**-**	-
Other receivables, deposits and prepayments	**8,487**	12,690	**5**	55
Income due and accrued	**27,590**	26,966	**2,275**	1,756
	88,975	98,876	**2,280**	1,811
Total loans and receivables	**1,351,063**	1,419,352	**116,280**	101,911

Included in the fixed and call deposits of the Group are RM69,720,000 (2017: RM80,566,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 17).

The following loans and receivables mature after 12 months:

	Group	
	2018 RM'000	2017 RM'000
Staff loans	**27,544**	30,796
Fixed and call deposits	**1,445**	19,861
	28,989	50,657

Estimation of fair values

The fair values of the staff loans were determined to approximate the carrying amounts as these are immaterial in the context of the financial statements. The carrying amounts of the fixed and call deposits approximate their fair values.

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TO THE FINANCIAL STATEMENTS

9(b). INSURANCE RECEIVABLES

	Note	Group 2018 RM'000	Group 2017 RM'000
Due premiums including agents, brokers and co-insurers balances		**152,892**	120,845
Due from reinsurers and cedants		**9,262**	35,572
		162,154	156,417
Allowance for impairment	33.4	**(2,157)**	(38)
		159,997	156,379

10. DEFERRED ACQUISITION COSTS

	Note	Group 2018 RM'000	Group 2017 RM'000
Gross of reinsurance			
At 1 January		**80,048**	76,380
Movement during the year	23	**8,780**	3,816
Effect of movement in exchange rates		**20**	(148)
At 31 December		**88,848**	80,048
Reinsurance			
At 1 January		**(46,398)**	(45,929)
Movement during the year	23	**3,120**	(650)
Effect of movement in exchange rates		**(17)**	181
At 31 December		**(43,295)**	(46,398)
Net of reinsurance			
At 1 January		**33,650**	30,451
Movement during the year		**11,900**	3,166
Effect of movement in exchange rates		**3**	33
At 31 December		**45,553**	33,650

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amortised cost				
Cash and bank balances	**24,964**	-	**109**	-
Fixed and call deposits with licensed financial institutions with maturity of three months or less				
Licensed banks in Malaysia	**194,930**	-	**31,689**	-
Banks outside Malaysia	**44,230**	-	**-**	-
Fair value through profit or loss				
Mandatory measured at FVTPL				
Liquid investments	**154,385**	-	**-**	-
Loans and receivables				
Cash and bank balances	**-**	22,126	**-**	98
Fixed and call deposits with licensed financial institutions with maturity of three months or less				
Licensed banks in Malaysia	**-**	216,338	**-**	62,978
Banks outside Malaysia	**-**	4,563	**-**	-
Liquid investments	**-**	51,432	**-**	-
	418,509	294,459	**31,798**	63,076

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

Included in the fixed and call deposits of the Group are RM1,770,000 (2017: RM644,000) held as cash collateral for guarantees issued on behalf of policyholders (Note 17).

The Directors regard the liquid investments as cash and cash equivalents in view of their high liquidity and insignificant changes in fair value.

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TO THE FINANCIAL STATEMENTS

12. CAPITAL AND RESERVES

12.1 Share capital

	Group and Company			
	2018		2017	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares, issued and fully paid				
At 1 January	**331,986**	**331,986**	331,986	331,986
Issued during the year pursuant to bonus issue	**66,397**	**66,397**	-	-
At 31 December	**398,383**	**398,383**	331,986	331,986
Share premium				
At 1 January	**6,258**	**-**	-	-
Transfer to ordinary shares in accordance with Section 618(2) of the Companies Act 2016	**-**	**-**	6,258	-
Utilisation in accordance with Section 618(3) of the Companies Act 2016	**(6,258)**	**-**	-	-
At 31 December	**-**	**-**	6,258	-
At 31 December	**398,383**	**398,383**	338,244	331,986

Ordinary shares

During the financial year, the Company increased its issued and paid-up ordinary shares from 331,985,808 to 398,382,753 on the basis of one new ordinary share for every five existing ordinary shares by way of capitalisation of RM1.00 for each Bonus Share of RM6,258,124 from the share premium account and 60,138,821 from retained earnings of the Company. The bonus issue exercise was completed on 12 April 2018 following the listing of and quotation for the 66,396,945 bonus shares on the Main Market of Bursa Malaysia Securities.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

12. CAPITAL AND RESERVES (CONTINUED)

12.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital in the prior year.

12.3 Foreign currency translation reserve

The foreign currency translation reserve is in respect of exchange differences arising from the translation of the financial statements of a subsidiary's Singapore Branch and the financial statements of the associated company.

12.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment in securities measured at FVOCI. Before 1 January 2018, the fair value reserve included the cumulative net change in the fair value of available-for-sale financial assets.

13. INSURANCE CONTRACT LIABILITIES

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
General insurance	**1,858,994**	**(819,596)**	**1,039,398**	1,636,422	(692,791)	943,631

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

		2018			2017		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group							
Provision for claims reported by policyholders		**880,144**	**(517,511)**	**362,633**	704,706	(368,354)	336,352
Provision for IBNR		**207,614**	**(89,779)**	**117,835**	216,080	(93,906)	122,174
Provision for outstanding claims	13.1	**1,087,758**	**(607,290)**	**480,468**	920,786	(462,260)	458,526
Provision for unearned premiums	13.3	**771,236**	**(212,306)**	**558,930**	715,636	(230,531)	485,105
		1,858,994	**(819,596)**	**1,039,398**	1,636,422	(692,791)	943,631
			Note 8			Note 8	

NOTES
TO THE FINANCIAL STATEMENTS

13. INSURANCE CONTRACT LIABILITIES (CONTINUED)

13.1 Provision for outstanding claims

Group	Note	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000
At 1 January		**920,786**	**(462,260)**	**458,526**	933,644	(477,378)	456,266
Claims incurred for the current accident year (direct and facultative)		**798,427**	**(364,877)**	**433,550**	636,799	(265,151)	371,648
Adjustment to claims incurred in prior accident years (direct and facultative)		**(127,485)**	**65,788**	**(61,697)**	(138,992)	92,286	(46,706)
Claims incurred during the year (treaty inwards claims)		**3,901**	**-**	**3,901**	2,339	-	2,339
Movement in PRAD of claims liabilities at 75% confidence level		**12,669**	**(6,845)**	**5,824**	294	58	352
Movement in claims handling expenses		**(610)**	**-**	**(610)**	78	-	78
Claims paid during the year	25	**(520,254)**	**161,008**	**(359,246)**	(510,816)	187,144	(323,672)
Effect of movement in exchange rates		**324**	**(104)**	**220**	(2,560)	781	(1,779)
At 31 December	13.2, 25	**1,087,758**	**(607,290)**	**480,468**	920,786	(462,260)	458,526

13. INSURANCE CONTRACT LIABILITIES (CONTINUED)

13.2 Provision for outstanding claims by business

		2018			2017		
	Note	Motor RM'000	Non-Motor RM'000	Total RM'000	Motor RM'000	Non-Motor RM'000	Total RM'000
Group							
Gross claims	32	**339,947**	**747,811**	**1,087,758**	335,297	585,489	920,786
Reinsurance		**(39,131)**	**(568,159)**	**(607,290)**	(50,551)	(411,709)	(462,260)
Net claims	32	**300,816**	**179,652**	**480,468**	284,746	173,780	458,526

13.3 Provision for unearned premiums

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
At 1 January	**715,636**	**(230,531)**	**485,105**	675,814	(207,657)	468,157
Premiums written during the year	**1,469,377**	**(464,785)**	**1,004,592**	1,421,339	(553,838)	867,501
Premiums earned during the year	**(1,413,894)**	**483,060**	**(930,834)**	(1,380,627)	530,473	(850,154)
Effect of movement in exchange rates	**117**	**(50)**	**67**	(890)	491	(399)
At 31 December	**771,236**	**(212,306)**	**558,930**	715,636	(230,531)	485,105

14. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Recognised deferred tax liabilities are attributable to the following:

	Group	
	2018 RM'000	2017 RM'000
Other investments at FVOCI	**4,153**	-
Other investments at FVTPL	**1,061**	-
Other investments at AC	**(321)**	-
Available-for-sale financial assets	**-**	1,001
	4,893	1,001

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14. DEFERRED TAX LIABILITIES (CONTINUED)

Movement in temporary differences during the financial year

	Note	2018 RM'000	2017 RM'000
Group			
As at 31 December 2017/ 1 January 2017		**1,001**	944
Changes on initial application of MFRS 9		**619**	-
As at 1 January		**1,620**	944
Recognised in profit or loss during the year	28	**(442)**	-
Recognised in OCI during the year	28	**3,715**	(75)
Effect of movement in exchange rates		**-**	132
As at 31 December		**4,893**	1,001

15. FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2018 RM'000	Interest 2018 RM'000	Present value of minimum lease payments 2018 RM'000	Future minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000
Group						
Less than one year	-	-	-	203	34	169
Between one and five years	-	-	-	790	60	730
	-	-	-	993	94	899

16. INSURANCE PAYABLES

	Group	
	2018 RM'000	2017 RM'000
Due to reinsurers and cedants	**78,774**	99,630
Due to agents, brokers, co-insurers and insured	**9,724**	22,264
	88,498	121,894

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

17. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash collateral deposit received from policyholders	**75,461**	85,074	**-**	-
Deposit premiums	**125**	1,449	**-**	-
Other payables	**13,766**	8,121	**-**	-
Accrued expenses	**17,760**	16,173	**1,163**	1,198
	107,112	110,817	**1,163**	1,198

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

18. OPERATING REVENUE

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross earned premiums	19	**1,413,894**	1,380,627	**-**	-
Dividend income		**32,926**	28,191	**238,063**	195,414
Interest income (net of amortisation of premiums and accretion of discounts)		**65,961**	60,972	**6,626**	7,807
Rental of premises	4, 20	**882**	841	**-**	-
		1,513,663	1,470,631	**244,689**	203,221

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19. UNDERWRITING RESULTS OF INSURANCE FUND

		Fire		Motor		Marine, aviation & transit		Miscellaneous		Total	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group											
Gross written premiums		**622,759**	560,300	**328,988**	297,550	**75,335**	78,110	**442,295**	485,379	**1,469,377**	1,421,339
Change in unearned premiums provision		**(26,649)**	23,362	**(19,037)**	9,701	**2,394**	2,932	**(12,191)**	(76,707)	**(55,483)**	(40,712)
Gross earned premiums	18	**596,110**	583,662	**309,951**	307,251	**77,729**	81,042	**430,104**	408,672	**1,413,894**	1,380,627
Gross written premiums ceded to reinsurers		**(206,262)**	(188,266)	**(14,947)**	(27,947)	**(55,812)**	(60,547)	**(187,764)**	(277,078)	**(464,785)**	(553,838)
Change in unearned premiums provision		**2,750**	(19,585)	**(7,753)**	(15,229)	**(2,965)**	(2,522)	**(10,307)**	60,701	**(18,275)**	23,365
Premiums ceded to reinsurers		**(203,512)**	(207,851)	**(22,700)**	(43,176)	**(58,777)**	(63,069)	**(198,071)**	(216,377)	**(483,060)**	(530,473)
Net earned premiums		**392,598**	375,811	**287,251**	264,075	**18,952**	17,973	**232,033**	192,295	**930,834**	850,154

19. UNDERWRITING RESULTS OF INSURANCE FUND (CONTINUED)

		Fire		Motor		Marine, aviation & transit		Miscellaneous		Total	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group											
Net claims incurred	25	**(52,326)**	(56,361)	**(210,745)**	(187,433)	**(2,919)**	(5,036)	**(114,978)**	(78,881)	**(380,968)**	(327,711)
Commission income	23	**44,033**	48,629	**3,241**	7,702	**5,711**	5,462	**51,030**	56,767	**104,015**	118,560
Commission expense	23	**(70,593)**	(72,027)	**(29,570)**	(29,104)	**(4,523)**	(4,552)	**(58,154)**	(57,113)	**(162,840)**	(162,796)
Net commission		**(26,560)**	(23,398)	**(26,329)**	(21,402)	**1,188**	910	**(7,124)**	(346)	**(58,825)**	(44,236)
Total out-go		**(78,886)**	(79,759)	**(237,074)**	(208,835)	**(1,731)**	(4,126)	**(122,102)**	(79,227)	**(439,793)**	(371,947)
Underwriting surplus before management expenses		**313,712**	296,052	**50,177**	55,240	**17,221**	13,847	**109,931**	113,068	**491,041**	478,207
Management expenses of the insurance fund										**(187,538)**	(172,394)
Underwriting surplus after management expenses										**303,503**	305,813
Net claims incurred ratio (%)		**13.3**	15.0	**73.4**	71.0	**15.4**	28.0	**49.6**	41.0	**40.9**	38.5

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20. INVESTMENT INCOME

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
FVOCI financial assets					
Dividend income					
- Equity securities quoted in Malaysia		**29,089**	-	**28,063**	-
FVTPL financial assets					
Dividend income					
- Equity securities quoted outside Malaysia		**140**	-	**-**	-
- Unquoted equity securities in Malaysia		**59**	-	**-**	-
- Unit trust		**432**	-	**-**	-
- Real estate investment trusts ("REITs")		**105**	-	**-**	-
- Exchange-traded fund ("ETF")		**21**	-	**-**	-
- Liquid investments		**3,080**	-	**-**	-
Interest/ profit income					
- Corporate bonds and sukuk		**8,303**	-	**750**	-
Amortisation of premiums, net of accretion of discounts		**(68)**	-	**-**	-
Amortised cost					
Interest/ profit income					
- Malaysian government guaranteed loans		**1,729**	-	**-**	-
- Corporate bonds and sukuk		**2,091**	-	**-**	-
- Fixed and call deposits		**53,932**	-	**5,876**	-
Amortisation of premiums, net of accretion of discounts		**(26)**	-	**-**	-
Available-for-sale financial assets					
Dividend income					
- Equity securities quoted in Malaysia		**-**	26,359	**-**	25,414
- Equity securities quoted outside Malaysia		**-**	117	**-**	-
- Unquoted equity securities in Malaysia		**-**	59	**-**	-
- Unit trust		**-**	170	**-**	-
- Real estate investment trusts ("REITs")		**-**	54	**-**	-

20. INVESTMENT INCOME (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Held-to-maturity financial assets					
Interest/ profit income					
- Malaysian government securities		**-**	115	**-**	-
- Malaysian government guaranteed loans		**-**	1,634	**-**	-
- Corporate bonds and sukuk		**-**	9,967	**-**	750
Amortisation of premiums, net of accretion of discounts		**-**	(63)	**-**	-
Loans and receivables and cash and cash equivalents					
Dividend income					
- Liquid investments		**-**	1,432	**-**	-
Interest/ profit income		**-**	49,319	**-**	7,057
Dividend income from unquoted subsidiary		**-**	-	**210,000**	170,000
Rental of properties received from third parties	4, 18	**882**	841	**-**	-
Total investment income		**99,769**	90,004	**244,689**	203,221

21. REALISED GAINS AND LOSSES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Realised gains for:				
Gain on disposal plant and equipment	**-**	453	**-**	-
Available-for-sale financial assets				
Equity securities in corporations				
- Quoted in Malaysia	**-**	2,513	**-**	1,471
	-	2,966	**-**	1,471
Realised losses for:				
Amortised cost				
Corporate bonds and sukuk				
- Unquoted outside Malaysia	**(70)**	-	**-**	-
	(70)	-	**-**	-

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22. FAIR VALUE GAINS AND LOSSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fair value gains for:				
FVTPL financial assets				
Equity securities in corporations				
- Unquoted in Malaysia	13	-	-	-
- Unquoted outside Malaysia	63	-	-	-
Real estate investment trusts ("REITs")				
- Quoted in Malaysia	3	-	-	-
Liquid investments	26	-	-	-
	105	-	-	-
Fair value losses for:				
FVTPL financial assets				
Equity securities in corporations				
- Quoted outside Malaysia	(371)	-	-	-
Unit Trust				
- Quoted in Malaysia	(144)	-	-	-
Exchange-traded fund ("ETF")				
- Quoted outside Malaysia	(43)	-	-	-
Corporate bonds and sukuk				
- Unquoted in Malaysia	(1,118)	-	(254)	-
- Unquoted outside Malaysia	(144)	-	-	-
	(1,820)	-	(254)	-

23. COMMISSION INCOME/ (EXPENSE)

	Note	Group 2018 RM'000	Group 2017 RM'000
Commission income			
Commission income		**100,895**	119,210
Movement in deferred acquisition costs	10	**3,120**	(650)
Total commission income	19	**104,015**	118,560
Commission expense			
Commission expense		**(171,620)**	(166,612)
Movement in deferred acquisition costs	10	**8,780**	3,816
Total commission expense	19	**(162,840)**	(162,796)

24. OTHER OPERATING INCOME

	2018 RM'000	2017 RM'000
Group		
Interest on staff car loans	**85**	135
Interest on staff housing loans	**759**	803
Interest on bank balance	**23**	6
Sundry income	**5,964**	6,961
	6,831	7,905
Company		
Secretarial fees earned	**-**	59

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TO THE FINANCIAL STATEMENTS

25. NET CLAIMS INCURRED

		Group	
	Note	2018 RM'000	2017 RM'000
Gross claims paid less salvage	13.1	**520,254**	510,816
Claims ceded to reinsurers	13.1	**(161,008)**	(187,144)
Net claims paid	13.1	**359,246**	323,672
Gross change in claims liabilities:			
At 31 December	13.1	**1,087,758**	920,786
At 1 January	13.1	**(920,786)**	(933,644)
Effect of movement in exchange rates		**(324)**	2,560
		166,648	(10,298)
Change in claims liabilities ceded to reinsurers:			
At 31 December	13.1	**(607,290)**	(462,260)
At 1 January	13.1	**462,260**	477,378
Effect of movement in exchange rates		**104**	(781)
		(144,926)	14,337
	19	**380,968**	327,711

26. MANAGEMENT EXPENSES

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Personnel expenses (including key management personnel)					
Company's Directors					
- Directors' fees	27	**2,065**	2,165	**1,015**	965
- Directors' remuneration	27	**2,666**	2,505	**2,387**	2,187
Subsidiaries' Directors					
- Directors' fees	27	**350**	88	**-**	-
- Directors' remuneration	27	**1,586**	40	**-**	-
Wages, salaries and others		**99,621**	95,437	**1,078**	541
Contributions to Employees' Provident Fund		**11,900**	11,552	**130**	65
		118,188	111,787	**4,610**	3,758
Auditors' remuneration					
Auditors of the Company					
- Statutory audit		**402**	392	**90**	90
- Other services		**105**	149	**6**	19
Affiliates of auditors of the Company					
- Statutory audit		**392**	376	**-**	-
- Other services		**144**	90	**6**	-
Depreciation of plant and equipment	3	**3,285**	3,185	**121**	122
Rental expense on office premises		**6,747**	6,460	**39**	40
Realised foreign exchange loss		**300**	99	**-**	-
Unrealised foreign exchange (gain)/ loss		**(689)**	215	**-**	-
Write off of plant and equipment		**3**	3	**-**	-
Other expenses		**63,731**	57,978	**1,674**	1,666
Total management expenses		**192,608**	180,734	**6,546**	5,695

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27. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Group 2018	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits-in-kind RM'000	Total RM'000
Directors							
Executive Director and Group Chief Executive Officer							
- Tan Kok Guan	120	1,044	1,087	256	-	42	2,549
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	670	-	-	-	11	35	716
- Tee Choon Yeow	415	-	-	-	67	-	482
- Lee Chin Guan	270	-	-	-	67	-	337
- Quah Poh Keat	270	-	-	-	67	-	337
- Chan Kwai Hoe	270	-	-	-	67	-	337
- Soo Chow Lai (appointed on 1 August 2018)	50	-	-	-	-	-	50
	1,945	-	-	-	279	35	2,259
Total Directors' remuneration (including benefits-in-kind)	2,065	1,044	1,087	256	279	77	4,808
Other key management personnel							
Executive Director and Chief Executive Officer of subsidiary							
- Looi Kong Meng	150	720	600	159	19	35	1,683
Non-Executive Directors of subsidiary							
- Encik Mohd Suffian Bin Haji Haron	150	-	-	-	67	-	217
- Wong Ah Kow (appointed on 1 September 2018)	50	-	-	-	21	-	71
	200	-	-	-	88	-	288
Total other key management personnel remuneration (including benefits-in-kind)	350	720	600	159	107	35	1,971
Total Directors' and other key management personnel remuneration (including benefits-in-kind)	2,415	1,764	1,687	415	386	112	6,779

27. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Group 2017	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits-in-kind RM'000	Total RM'000
Directors							
Executive Director and Group Chief Executive Officer							
- Tan Kok Guan	270	936	1,017	234	23	39	2,519
Non-Executive Directors							
- Tan Sri Dato' Sri Dr. Teh Hong Piow	670	-	-	-	11	30	711
- Tee Choon Yeow	415	-	-	-	71	-	486
- Lee Chin Guan	270	-	-	-	71	-	341
- Quah Poh Keat	270	-	-	-	71	-	341
- Chan Kwai Hoe	270	-	-	-	71	-	341
	1,895	-	-	-	295	30	2,220
Total Directors' remuneration (including benefits-in-kind)	2,165	936	1,017	234	318	69	4,739
Other key management personnel							
Chief Executive Officer of subsidiary							
- Looi Kong Meng	-	648	570	146	-	35	1,399
Non-Executive Directors of subsidiary							
- Encik Mohd Suffian Bin Haji Haron (appointed on 1 June 2017)	88	-	-	-	40	-	128
Total other key management personnel remuneration (including benefits-in-kind)	88	648	570	146	40	35	1,527
Total Directors' and other key management personnel remuneration (including benefits-in-kind)	2,253	1,584	1,587	380	358	104	6,266

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27. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Company 2018	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director and Chief Executive Officer						
- Tan Kok Guan	**120**	**1,044**	**1,087**	**256**	**42**	**2,549**
Non-Executive Directors						
- Tan Sri Dato' Sri Dr. Teh Hong Piow	**300**	**-**	**-**	**-**	**-**	**300**
- Tee Choon Yeow	**185**	**-**	**-**	**-**	**-**	**185**
- Lee Chin Guan	**120**	**-**	**-**	**-**	**-**	**120**
- Quah Poh Keat	**120**	**-**	**-**	**-**	**-**	**120**
- Chan Kwai Hoe	**120**	**-**	**-**	**-**	**-**	**120**
- Soo Chow Lai (appointed on 1 August 2018)	**50**	**-**	**-**	**-**	**-**	**50**
	895	**-**	**-**	**-**	**-**	**895**
Total Directors' remuneration (including benefits-in-kind)	**1,015**	**1,044**	**1,087**	**256**	**42**	**3,444**

Company 2017	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director and Chief Executive Officer						
- Tan Kok Guan	120	936	1,017	234	39	2,346
Non-Executive Directors						
- Tan Sri Dato' Sri Dr. Teh Hong Piow	300	-	-	-	-	300
- Tee Choon Yeow	185	-	-	-	-	185
- Lee Chin Guan	120	-	-	-	-	120
- Quah Poh Keat	120	-	-	-	-	120
- Chan Kwai Hoe	120	-	-	-	-	120
	845	-	-	-	-	845
Total Directors' remuneration (including benefits-in-kind)	965	936	1,017	234	39	3,191

28. TAX EXPENSE

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Recognised in profit or loss					
Current tax expense					
Malaysian					
- current year		**91,559**	91,270	**1,556**	2,200
- prior years		**181**	(1,407)	**(17)**	(24)
Overseas					
- current year		**384**	-	**-**	-
- prior years		**234**	92	**-**	-
Total current tax recognised in profit or loss		**92,358**	89,955	**1,539**	2,176
Deferred tax expense					
Malaysian					
- origination and reversal of temporary differences		**(346)**	-	**-**	-
Overseas					
- origination and reversal of temporary differences		**(96)**	-	**-**	-
Total deferred tax recognised in profit or loss	14	**(442)**	-	**-**	-
Share of tax of equity accounted associated company		**216**	207	**-**	-
Total income tax expense		**92,132**	90,162	**1,539**	2,176
Reconciliation of tax expense					
Profit for the year		**314,049**	313,794	**236,350**	196,880
Total taxation		**92,132**	90,162	**1,539**	2,176
Profit excluding tax		**406,181**	403,956	**237,889**	199,056
Income tax using Malaysian tax rate of 24% (2017: 24%)		**97,483**	96,949	**57,093**	47,773
Effect of lower tax rates for offshore business and business outside Malaysia		**(2,043)**	(1,750)	**-**	-
Difference in effective tax rate of equity accounted associated company		**(799)**	(440)	**-**	-
Non-deductible expenses		**3,281**	1,937	**1,598**	1,326
Tax exempt income		**(8,208)**	(7,252)	**(57,135)**	(46,899)
Other items		**2,003**	2,033	**-**	-
		91,717	91,477	**1,556**	2,200
Under/ (Over) provision in prior years		**415**	(1,315)	**(17)**	(24)
Tax expense		**92,132**	90,162	**1,539**	2,176

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28. TAX EXPENSE (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Recognised in OCI					
Items that will not be reclassified to profit or loss					
FVOCI financial assets					
- Deferred tax	14	**(3,715)**	-	**-**	-
Available-for-sale financial assets					
- Deferred tax	14	**-**	75	**-**	-

29. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to owners of the Company of RM314,049,000 (2017: RM313,794,000) and the weighted average number of ordinary shares outstanding during the year of 398,383,000 (2017: 398,383,000).

Weighted average number of ordinary shares

Group	2018 '000	2017 '000
Issued ordinary shares at 1 January	**331,986**	331,986
Effect of bonus issue	**66,397**	66,397
Weighted average number of ordinary shares at 31 December	**398,383**	398,383

The comparative figures for the weighted average number of ordinary shares for basic earnings per share have been restated to reflect the adjustments arising from bonus issue during the year.

30. DIVIDENDS

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

2018	Sen per share (net of tax)	Total amount RM'000	Date of payment
Second interim 2017 ordinary	**45.00**	**149,394**	**6 February 2018**
First interim 2018 ordinary	**26.00**	**103,579**	**1 August 2018**
Total amount		**252,973**	

30. DIVIDENDS (CONTINUED)

2017	Sen per share (net of tax)	Total amount RM'000	Date of payment
Second interim 2016 ordinary	55.00	182,592	2 March 2017
First interim 2017 ordinary	27.00	89,636	2 August 2017
Total amount		272,228	

After the reporting period the following dividends were proposed by the Directors:

	Group and Company	
	Sen per share	Total amount RM'000
Second interim single tier	42.00	167,321

The dividend will be payable on 27 February 2019 and will be recognised in subsequent financial period. The Directors do not propose any final dividend for the financial year ended 31 December 2018.

31. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports on a monthly basis. Inter-segment pricing, if any, is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group comprises the following main business segments:

General insurance - Underwriting of all classes of general insurance business, mainly carried out by Lonpac Insurance Bhd

Investment holding - Investment holding operations, mainly carried out by LPI Capital Bhd

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TO THE FINANCIAL STATEMENTS

31. OPERATING SEGMENT (CONTINUED)

Group	General insurance 2018 RM'000	General insurance 2017 RM'000	Investment holding 2018 RM'000	Investment holding 2017 RM'000	Total 2018 RM'000	Total 2017 RM'000
Business segments						
External revenue	**1,478,974**	1,437,410	**34,689**	33,221	**1,513,663**	1,470,631
Inter-segment revenue	**-**	-	**210,000**	170,000	**210,000**	170,000
Total revenue	**1,478,974**	1,437,410	**244,689**	203,221	**1,723,663**	1,640,631
Segment profit before tax	**378,076**	374,693	**237,889**	199,056	**615,965**	573,749
Segment assets	**3,029,199**	2,755,613	**1,411,354**	1,259,002	**4,440,553**	4,014,615
Segment liabilities	**2,082,418**	1,891,863	**1,350**	1,841	**2,083,768**	1,893,704

	Malaysia 2018 RM'000	Malaysia 2017 RM'000	Outside Malaysia 2018 RM'000	Outside Malaysia 2017 RM'000	Eliminations 2018 RM'000	Eliminations 2017 RM'000	Consolidated 2018 RM'000	Consolidated 2017 RM'000
Geographical segments by location of customers/ assets								
Revenue from external customers	**1,442,254**	1,397,707	**71,409**	72,924	**-**	-	**1,513,663**	1,470,631
Segment assets	**4,027,007**	3,603,661	**311,388**	307,126	**(97,842)**	(96,172)	**4,240,553**	3,814,615

Reconciliation of reportable segment revenue, profit and assets.

Group	2018 RM'000	2017 RM'000
Revenue		
Total revenue for reportable segments	**1,723,663**	1,640,631
Elimination of inter-segment revenue	**(210,000)**	(170,000)
Consolidated revenue	**1,513,663**	1,470,631
Profit		
Total profit for reportable segments	**615,965**	573,749
Elimination of inter-segment profit	**(210,000)**	(170,000)
Consolidated profit before tax	**405,965**	403,749
Assets		
Total assets for reportable segments	**4,440,553**	4,014,615
Elimination of inter-segment assets	**(200,000)**	(200,000)
Consolidated assets	**4,240,553**	3,814,615

32. INSURANCE RISK

The Group underwrites various general insurance contracts, which are mostly on an annual coverage and annual premium basis, with the exception of short-term policies such as Marine Cargo which covers the duration in which the cargo is being transported. Some of the policies are guaranteed renewable, such as the Medical products which are subject to a triennial review. The Group also underwrites some non-annual policies with coverage period more than one year such as Mortgage Reducing Personal Accident, Contractor's All Risk and Engineering, Bonds and Workmen Compensation. The majority of the insurance businesses written by the Group are Fire and Motor. Other major lines of business include Offshore Oil Related, Contractor's All Risk and Engineering, Medical Expenses, Liabilities and other miscellaneous classes.

Insurance risk is the risk of financial losses arising from higher than expected claims amount and the inadequacy of insurance liabilities reserves. By underwriting insurance contracts, the Group takes on insurance risk by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The principal risk the Group faces under insurance contracts is that the actual claims and benefits payments differ from expectations; the risks arise from the fluctuations in timing, frequency and severity of claims; as well as the adequacy of premiums and reserves.

The Group is also exposed to risks arising from climate changes, natural disasters, terrorism activities and regulatory changes such as the phased liberalisation of motor and fire tariff. For longer tail claims that take some years to settle, there is also inflation risk.

The Group's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Group seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

The Group's underwriting strategy is intended to ensure that the risks underwritten are well diversified across a large portfolio of insurance contracts and geographical areas. The variability of risks is managed by the selection and implementation of underwriting strategic guidelines, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

The Group adopts the following measures to manage the insurance risks:

- The Group adopts an underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines, with set limits on underwriting capacity and authority to individuals based on their specific expertise. Product Development, Pricing and Re-Pricing Policy has been established to provide a structured product development process to promote sound risk management practices in managing and controlling product and insurance risks.

- The Group has in place a claims management and control system to pay claims and control claim overpayment or fraud. The Group has claim review policies to assess new and ongoing claims. Reviews of claims handling procedures and investigation of possible fraudulent claims are conducted to reduce the risk exposure of the Group. The Group also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that may impact the business in a negative manner.

- The Group purchases reinsurance as part of its risks mitigation programme. The objectives for purchasing reinsurance are to provide market-leading capacity for the Group's customers while protecting the statement of financial position and optimising the Group's capital efficiency. Reinsurance is ceded on both proportional and non-proportional basis. The Group's placement of reinsurance is well diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

32. INSURANCE RISK (CONTINUED)

The table below sets out the concentration of the Group's general insurance business by type of product based on gross and net written premiums.

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	**328,988**	**(14,947)**	**314,041**	297,550	(27,947)	269,603
Fire	**622,759**	**(206,262)**	**416,497**	560,300	(188,266)	372,034
Marine, aviation and transit	**75,335**	**(55,812)**	**19,523**	78,110	(60,547)	17,563
Miscellaneous	**442,295**	**(187,764)**	**254,531**	485,379	(277,078)	208,301
	1,469,377	**(464,785)**	**1,004,592**	1,421,339	(553,838)	867,501

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

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	**510,444**	**(41,281)**	**469,163**	486,731	(60,456)	426,275
Fire	**618,006**	**(334,734)**	**283,272**	467,337	(216,464)	250,873
Marine, aviation and transit	**96,574**	**(82,727)**	**13,847**	85,484	(70,737)	14,747
Miscellaneous	**633,970**	**(360,854)**	**273,116**	596,870	(345,134)	251,736
	1,858,994	**(819,596)**	**1,039,398**	1,636,422	(692,791)	943,631

32. INSURANCE RISK (CONTINUED)

Key assumptions

The principal assumption underlying the estimation of liabilities is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims numbers for each accident year and average claims settlement period.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in the market and economic conditions, as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors may affect the estimates.

The recommended claims and premium liability provisions did not explicitly allow for discounting and inflation adjustment. Implicit inflation has been allowed for future claims to the extent evident in past claims development. Discounting is unlikely to result in any material impact due to the short tail nature of most classes coupled with the low prevailing interest rate environment.

The Group has based its risk margin for adverse deviation for the provisions for unexpired risks and insurance claims at a 75% level of sufficiency, according to the requirement set by Bank Negara Malaysia under the Risk-Based Capital ("RBC") Framework.

Sensitivities

The actuary re-runs his valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process in respect of its insurance contracts. The information in the table below demonstrates the sensitivity of the insurance contract liabilities estimates to a defined movement in key assumptions of the estimation process.

The sensitivity analysis is performed across key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions may have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

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32. INSURANCE RISK (CONTINUED)

Group	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
2018					
Average claims cost	**+10%**	**93,762**	**46,051**	**(46,051)**	**(34,999)**
Average number of claims	**+10%**	**65,103**	**40,864**	**(40,864)**	**(31,057)**
Average claims settlement period	**Increased by 6 months**	**23,154**	**11,372**	**(11,372)**	**(8,643)**
2017					
Average claims cost	+10%	86,454	42,858	(42,858)	(32,572)
Average number of claims	+10%	61,942	40,060	(40,060)	(30,446)
Average claims settlement period	Increased by 6 months	21,362	10,584	(10,584)	(8,044)

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

Claims development table

The following tables show the Group's estimate of cumulative incurred claims for its Motor and Non-motor business, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The cumulative claims estimates and cumulative payments for Singapore are translated to RM at the exchange rate applied at the end of the financial year.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating any redundancies or deficiencies of the past on current unpaid claim balances.

The management of the Group believes that the estimate of total claims outstanding as of 31 December 2018 is adequate. However, due to the inherent uncertainties in the future development of claims, it cannot be fully assured that such balances will ultimately prove to be adequate.

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018:

Group - Motor

	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year										
At end of accident year		166,189	180,721	171,288	174,581	215,556	227,212	233,704	253,152	-
One year later		173,793	180,720	167,276	171,442	205,004	220,901	222,874	-	-
Two years later		170,491	181,085	165,398	168,537	199,141	220,560	-	-	-
Three years later		171,503	180,033	162,055	166,733	190,368	-	-	-	-
Four years later		173,696	178,776	161,557	163,151	-	-	-	-	-
Five years later		175,087	177,156	159,682	-	-	-	-	-	-
Six years later		170,328	172,638	-	-	-	-	-	-	-
Seven years later		169,437	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		169,437	172,638	159,682	163,151	190,368	220,560	222,874	253,152	1,551,862
At end of accident year		71,483	78,768	75,232	72,600	83,456	95,466	101,493	104,593	-
One year later		128,920	136,360	123,360	121,197	145,287	162,331	168,653	-	-
Two years later		148,748	154,502	139,892	141,315	165,652	188,973	-	-	-
Three years later		156,275	163,654	147,941	149,514	173,449	-	-	-	-
Four years later		162,227	168,614	152,562	153,226	-	-	-	-	-
Five years later		168,721	169,250	153,514	-	-	-	-	-	-
Six years later		169,037	169,718	-	-	-	-	-	-	-
Seven years later		169,236	-	-	-	-	-	-	-	-
Cumulative payments to-date		169,236	169,718	153,514	153,226	173,449	188,973	168,653	104,593	1,281,362

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32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018 (continued):

Group - Motor

	Note	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		231	201	2,920	6,168	9,925	16,919	31,587	54,221	148,559	270,731
Gross general insurance outstanding liabilities (treaty inward)											141
Gross general insurance outstanding liabilities (MMIP)											30,937
Best estimate of claims liabilities											301,809
Claims handling expenses											5,746
Fund PRAD at 75% confidence level											32,392
Gross provision for outstanding claims	13.2										339,947

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2017:

Group - Motor

	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Accident year										
At end of accident year		143,820	166,189	180,721	171,288	174,581	215,556	227,212	233,704	-
One year later		145,637	173,793	180,720	167,276	171,442	205,004	220,901	-	-
Two years later		146,810	170,491	181,085	165,398	168,537	199,141	-	-	-
Three years later		147,528	171,503	180,033	162,055	166,733	-	-	-	-
Four years later		146,517	173,696	178,776	161,557	-	-	-	-	-
Five years later		149,277	175,087	177,156	-	-	-	-	-	-
Six years later		148,505	170,328	-	-	-	-	-	-	-
Seven years later		146,949	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		146,949	170,328	177,156	161,557	166,733	199,141	220,901	233,704	1,476,469
At end of accident year		64,122	71,483	78,768	75,232	72,600	83,456	95,466	101,493	-
One year later		111,305	128,920	136,360	123,360	121,197	145,287	162,331	-	-
Two years later		127,941	148,748	154,502	139,892	141,315	165,652	-	-	-
Three years later		136,044	156,275	163,654	147,941	149,514	-	-	-	-
Four years later		138,212	162,227	168,614	152,562	-	-	-	-	-
Five years later		141,568	168,721	169,250	-	-	-	-	-	-
Six years later		146,060	169,037	-	-	-	-	-	-	-
Seven years later		145,786	-	-	-	-	-	-	-	-
Cumulative payments to-date		145,786	169,037	169,250	152,562	149,514	165,652	162,331	101,493	1,215,625

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32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2017 (continued):

Group - Motor

	Note	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		943	1,163	1,291	7,906	8,995	17,219	33,489	58,570	132,211	261,787
Gross general insurance outstanding liabilities (treaty inward)											628
Gross general insurance outstanding liabilities (MMIP)											35,870
Best estimate of claims liabilities											298,285
Claims handling expenses											5,538
Fund PRAD at 75% confidence level											31,474
Gross provision for outstanding claims	13.2										335,297

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018:

Group - Non-motor

	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year										
At end of accident year		270,712	229,089	324,501	279,158	299,458	315,598	403,374	545,692	-
One year later		231,204	242,716	349,282	293,128	349,137	287,273	360,709	-	-
Two years later		216,872	227,616	336,316	274,247	301,291	275,428	-	-	-
Three years later		207,912	248,330	303,759	251,598	287,233	-	-	-	-
Four years later		210,111	243,350	300,078	251,002	-	-	-	-	-
Five years later		205,635	230,653	297,789	-	-	-	-	-	-
Six years later		200,428	229,392	-	-	-	-	-	-	-
Seven years later		199,236	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		199,236	229,392	297,789	251,002	287,233	275,428	360,709	545,692	2,446,481
At end of accident year		97,018	62,252	83,519	76,250	73,827	110,409	122,442	132,996	-
One year later		163,250	138,492	176,147	192,412	228,703	216,755	251,088	-	-
Two years later		176,766	184,274	223,446	218,678	259,159	237,659	-	-	-
Three years later		187,505	207,305	236,986	227,757	267,323	-	-	-	-
Four years later		192,957	210,554	255,019	230,184	-	-	-	-	-
Five years later		195,859	216,780	259,066	-	-	-	-	-	-
Six years later		195,887	214,901	-	-	-	-	-	-	-
Seven years later		196,709	-	-	-	-	-	-	-	-
Cumulative payments to-date		196,709	214,901	259,066	230,184	267,323	237,659	251,088	132,996	1,789,926

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TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2018 (continued):

Group - Non-motor

	Note	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		3,494	2,527	14,491	38,723	20,818	19,910	37,769	109,621	412,696	660,049
Gross general insurance outstanding liabilities (treaty inward)											3,021
Best estimate of claims liabilities											663,070
Claims handling expenses											4,508
Fund PRAD at 75% confidence level											80,233
Gross provision for outstanding claims	13.2										747,811

32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2017:

Group - Non-motor

	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Accident year										
At end of accident year		195,931	270,712	229,089	324,501	279,158	299,458	315,598	403,374	-
One year later		193,299	231,204	242,716	349,282	293,128	349,137	287,273	-	-
Two years later		213,052	216,872	227,616	336,316	274,247	301,291	-	-	-
Three years later		208,531	207,912	248,330	303,759	251,598	-	-	-	-
Four years later		200,615	210,111	243,350	300,078	-	-	-	-	-
Five years later		204,869	205,635	230,653	-	-	-	-	-	-
Six years later		203,698	200,428	-	-	-	-	-	-	-
Seven years later		201,049	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		201,049	200,428	230,653	300,078	251,598	301,291	287,273	403,374	2,175,744
At end of accident year		49,944	97,018	62,252	83,519	76,250	73,827	110,409	122,442	-
One year later		127,218	163,250	138,492	176,147	192,412	228,703	216,755	-	-
Two years later		145,215	176,766	184,274	223,446	218,678	259,159	-	-	-
Three years later		151,513	187,505	207,305	236,986	227,757	-	-	-	-
Four years later		165,022	192,957	210,554	255,019	-	-	-	-	-
Five years later		169,652	195,859	216,780	-	-	-	-	-	-
Six years later		179,110	195,887	-	-	-	-	-	-	-
Seven years later		178,566	-	-	-	-	-	-	-	-
Cumulative payments to-date		178,566	195,887	216,780	255,019	227,757	259,159	216,755	122,442	1,672,365

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32. INSURANCE RISK (CONTINUED)

Gross general insurance claim liabilities for 2017 (continued):

Group - Non-motor

	Note	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)		4,718	22,483	4,541	13,873	45,059	23,841	42,132	70,518	280,932	508,097
Gross general insurance outstanding liabilities (treaty inward)											3,635
Best estimate of claims liabilities											511,732
Claims handling expenses											5,308
Fund PRAD at 75% confidence level											68,449
Gross provision for outstanding claims	13.2										585,489

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018:

Group - Motor

	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year										
At end of accident year	141,630	154,542	144,898	144,243	173,556	182,729	204,560	234,092	-	
One year later	146,918	154,828	141,320	140,217	165,112	179,545	195,522	-	-	
Two years later	144,932	155,272	139,198	138,031	158,583	175,446	-	-	-	
Three years later	144,693	154,177	137,617	136,686	153,602	-	-	-	-	
Four years later	145,679	153,889	136,685	134,184	-	-	-	-	-	
Five years later	144,911	152,730	135,005	-	-	-	-	-	-	
Six years later	140,979	148,778	-	-	-	-	-	-	-	
Seven years later	140,152	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	140,152	148,778	135,005	134,184	153,602	175,446	195,522	234,092	1,316,781	
At end of accident year	61,958	68,411	64,520	60,592	68,167	78,680	88,483	98,373	-	
One year later	111,054	117,950	104,998	100,425	118,175	133,858	148,453	-	-	
Two years later	127,915	133,400	118,897	116,298	134,079	150,964	-	-	-	
Three years later	134,142	141,014	125,744	123,038	140,262	-	-	-	-	
Four years later	138,178	145,191	129,278	126,316	-	-	-	-	-	
Five years later	139,354	145,787	130,021	-	-	-	-	-	-	
Six years later	139,839	146,181	-	-	-	-	-	-	-	
Seven years later	139,974	-	-	-	-	-	-	-	-	
Cumulative payments to-date	139,974	146,181	130,021	126,316	140,262	150,964	148,453	98,373	1,080,544	

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32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018 (continued):

Group - Motor

	Note	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		204	178	2,597	4,984	7,868	13,340	24,482	47,069	135,719	236,441
Net general insurance outstanding liabilities (additional provision)											11
Net general insurance outstanding liabilities (treaty inward)											141
Net general insurance outstanding liabilities (MMIP)											30,937
Best estimate of claims liabilities											267,530
Claims handling expenses											5,746
Fund PRAD at 75% confidence level											27,540
Net provision for outstanding claims	13.2										300,816

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2017:

Group - Motor

	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Accident year										
At end of accident year		122,850	141,630	154,542	144,898	144,243	173,556	182,729	204,560	-
One year later		126,931	146,918	154,828	141,320	140,217	165,112	179,545	-	-
Two years later		123,576	144,932	155,272	139,198	138,031	158,583	-	-	-
Three years later		123,216	144,693	154,177	137,617	136,686	-	-	-	-
Four years later		123,072	145,679	153,889	136,685	-	-	-	-	-
Five years later		124,113	144,911	152,730	-	-	-	-	-	-
Six years later		123,476	140,979	-	-	-	-	-	-	-
Seven years later		122,066	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		122,066	140,979	152,730	136,685	136,686	158,583	179,545	204,560	1,231,834
At end of accident year		56,433	61,958	68,411	64,520	60,592	68,167	78,680	88,483	-
One year later		97,130	111,054	117,950	104,998	100,425	118,175	133,858	-	-
Two years later		110,787	127,915	133,400	118,897	116,298	134,079	-	-	-
Three years later		116,995	134,142	141,014	125,744	123,038	-	-	-	-
Four years later		118,952	138,178	145,191	129,278	-	-	-	-	-
Five years later		121,208	139,354	145,787	-	-	-	-	-	-
Six years later		121,634	139,839	-	-	-	-	-	-	-
Seven years later		121,575	-	-	-	-	-	-	-	-
Cumulative payments to-date		121,575	139,839	145,787	129,278	123,038	134,079	133,858	88,483	1,015,937

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2017 (continued):

Group - Motor

	Note	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		809	491	1,140	6,943	7,407	13,648	24,504	45,687	116,077	216,706
Net general insurance outstanding liabilities (additional provision)											285
Net general insurance outstanding liabilities (treaty inward)											628
Net general insurance outstanding liabilities (MMIP)											35,870
Best estimate of claims liabilities											253,489
Claims handling expenses											5,538
Fund PRAD at 75% confidence level											25,719
Net provision for outstanding claims	13.2										284,746

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018:

Group - Non-motor

	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident year										
At end of accident year	94,580	100,272	119,612	126,142	123,258	144,666	166,887	199,378		-
One year later	91,660	102,505	116,065	124,617	124,584	133,968	152,732	-		-
Two years later	89,154	99,529	115,963	120,020	119,848	128,159	-	-		-
Three years later	87,371	101,359	110,137	115,224	114,753	-	-	-		-
Four years later	89,364	98,215	105,498	111,956	-	-	-	-		-
Five years later	87,523	94,647	103,773	-	-	-	-	-		-
Six years later	85,726	93,433	-	-	-	-	-	-		-
Seven years later	85,434	-	-	-	-	-	-	-		-
Current estimate of cumulative claims incurred	85,434	93,433	103,773	111,956	114,753	128,159	152,732	199,378		989,618
At end of accident year	41,260	36,705	45,012	52,950	48,687	61,865	78,256	97,606		-
One year later	72,854	77,159	89,094	96,408	96,536	112,294	129,658	-		-
Two years later	77,777	84,928	98,242	106,084	105,800	120,229	-	-		-
Three years later	80,885	90,011	100,750	107,833	108,174	-	-	-		-
Four years later	83,703	91,459	100,803	108,865	-	-	-	-		-
Five years later	84,571	91,456	101,360	-	-	-	-	-		-
Six years later	84,433	91,807	-	-	-	-	-	-		-
Seven years later	84,735	-	-	-	-	-	-	-		-
Cumulative payments to-date	84,735	91,807	101,360	108,865	108,174	120,229	129,658	97,606		842,434

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TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2018 (continued):

Group - Non-motor

	Note	2010 and prior RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		854	699	1,626	2,413	3,091	6,579	7,930	23,074	101,772	148,038
Net general insurance outstanding liabilities (additional provision)											3,752
Net general insurance outstanding liabilities (treaty inward)											3,021
Best estimate of claims liabilities											154,811
Claims handling expenses											4,508
Fund PRAD at 75% confidence level											20,333
Net provision for outstanding claims	13.2										179,652

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2017:

Group - Non-motor

	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Accident year										
At end of accident year		78,417	94,580	100,272	119,612	126,142	123,258	144,666	166,887	-
One year later		75,747	91,660	102,505	116,065	124,617	124,584	133,968	-	-
Two years later		75,353	89,154	99,529	115,963	120,020	119,848	-	-	-
Three years later		74,316	87,371	101,359	110,137	115,224	-	-	-	-
Four years later		74,238	89,364	98,215	105,498	-	-	-	-	-
Five years later		76,585	87,523	94,647	-	-	-	-	-	-
Six years later		76,043	85,726	-	-	-	-	-	-	-
Seven years later		75,376	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred		75,376	85,726	94,647	105,498	115,224	119,848	133,968	166,887	897,174
At end of accident year		30,522	41,260	36,705	45,012	52,950	48,687	61,865	78,256	-
One year later		61,988	72,854	77,159	89,094	96,408	96,536	112,294	-	-
Two years later		68,178	77,777	84,928	98,242	106,084	105,800	-	-	-
Three years later		70,438	80,885	90,011	100,750	107,833	-	-	-	-
Four years later		71,778	83,703	91,459	100,803	-	-	-	-	-
Five years later		74,687	84,571	91,456	-	-	-	-	-	-
Six years later		75,189	84,433	-	-	-	-	-	-	-
Seven years later		74,837	-	-	-	-	-	-	-	-
Cumulative payments to-date		74,837	84,433	91,456	100,803	107,833	105,800	112,294	78,256	755,712

NOTES
TO THE FINANCIAL STATEMENTS

32. INSURANCE RISK (CONTINUED)

Net general insurance claim liabilities for 2017 (continued):

Group - Non-motor

	Note	2009 and prior RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)		2,214	539	1,293	3,191	4,695	7,391	14,048	21,674	88,631	143,676
Net general insurance outstanding liabilities (additional provision)											4,850
Net general insurance outstanding liabilities (treaty inward)											3,635
Best estimate of claims liabilities											152,161
Claims handling expenses											5,308
Fund PRAD at 75% confidence level											16,311
Net provision for outstanding claims	13.2										173,780

33. FINANCIAL INSTRUMENTS

33.1 Categories of financial instruments

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

2018

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

2017

(e) Loans and receivables ("L&R");
(f) Available-for-sale financial assets ("AFS");
(g) Held-to-maturity financial assets ("HTM"); and
(h) Other financial liabilities measured at amortised cost ("FL").

2018	Carrying amount RM'000	AC/ (FL) RM'000	Designated as at FVOCI RM'000	Mandatory at FVTPL RM'000
Financial assets				
Group				
Other investments	1,368,652	97,922	1,090,899	179,831
Loans and receivables, excluding insurance receivables	1,298,165	1,298,165	-	-
Insurance receivables	159,997	159,997	-	-
Cash and cash equivalents	418,509	264,124	-	154,385
	3,245,323	1,820,208	1,090,899	334,216
Company				
Other investments	1,062,949	-	1,052,813	10,136
Loans and receivables, excluding insurance receivables	116,280	116,280	-	-
Cash and cash equivalents	31,798	31,798	-	-
	1,211,027	148,078	1,052,813	10,136
Financial liabilities				
Group				
Provision for claims reported by policyholders	(880,144)	(880,144)	-	-
Insurance payables	(88,498)	(88,498)	-	-
Other payables	(107,112)	(107,112)	-	-
	(1,075,754)	(1,075,754)	-	-
Company				
Other payables	(1,163)	(1,163)	-	-

NOTES
TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.1 Categories of financial instruments (continued)

2017	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	HTM RM'000
Financial assets				
Group				
Other investments	1,146,699	-	927,356	219,343
Loans and receivables, excluding insurance receivables	1,360,132	1,360,132	-	-
Insurance receivables	156,379	156,379	-	-
Cash and cash equivalents	294,459	294,459	-	-
	2,957,669	1,810,970	927,356	219,343
Company				
Other investments	893,580	-	883,580	10,000
Loans and receivables, excluding insurance receivables	101,911	101,911	-	-
Cash and cash equivalents	63,076	63,076	-	-
	1,058,567	164,987	883,580	10,000
Financial liabilities				
Group				
Provision for claims reported by policyholders	(704,706)	(704,706)	-	-
Finance lease liabilities	(899)	(899)	-	-
Insurance payables	(121,894)	(121,894)	-	-
Other payables	(110,817)	(110,817)	-	-
	(938,316)	(938,316)	-	-
Company				
Other payables	(1,198)	(1,198)	-	-

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.2 Net gains and losses arising from financial instruments

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Net gains/ (losses) arising on:				
Designated as at FVOCI				
- recognised in other comprehensive income	**175,343**	-	**169,233**	-
- recognised in profit or loss	**29,089**	-	**28,063**	-
	204,432	-	**197,296**	-
Mandatory at FVTPL	**10,357**	-	**496**	-
Amortised cost	**57,618**	-	**5,876**	-
Available-for-sale				
- recognised in other comprehensive income	**-**	49,263	**-**	46,436
- reclassified from equity to profit or loss	**-**	(2,513)	**-**	(1,471)
- recognised in profit or loss	**-**	29,272	**-**	26,885
	-	76,022	**-**	71,850
Held-to-maturity	**-**	11,653	**-**	750
Loans and receivables	**-**	54,296	**-**	7,057
Financial liabilities measured at amortised cost	**(4)**	(3)	**-**	-
	272,403	141,968	**203,668**	79,657

33.3 Financial risk management

The Group and the Company are exposed to a variety of financial risks that includes credit risk, liquidity risk, market risk (currency risk, interest rate risk, price risk) and operational risk. The Group's and the Company's overall financial risk management objective is to ensure that the Group and the Company create value for its shareholders whilst minimising potential exposure to adverse effects on their financial performance and positions.

The Group and the Company are guided by risk management policies which set out the overall business strategies and the general risk management philosophy.

The Group and the Company have established internal processes to monitor the risks on an ongoing basis.

The policies and measures taken by the Group and the Company to manage these risks are as set out below.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk

Credit risk is the risk of financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group's and the Company's primary exposure to credit risk arises through their investment in fixed income securities, receivables arising from sales of insurance policies, and obligations of reinsurers through reinsurance contracts.

(i) Management of credit risk

The Group and the Company have put in place credit policies and investment guidelines as a part of its overall credit risk management framework which includes the following:

- Evaluation of a debt instrument issuer's credit risk is undertaken by the Investment Unit of the Accounts and Finance Department. Monitoring of credit and concentration risk is carried out by the Accounts and Finance Department which reports to the Investment Committee and is supported by the Enterprise Risk Management Department.

- Cash and deposits in Malaysia are generally placed with banks and financial institutions licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013 which are regulated by Bank Negara Malaysia whereas cash and deposits in Singapore are generally placed with banks and financial institutions licensed under the Financial Advisers Act which are regulated by Monetary Authority of Singapore.

- Receivables arising from insurance and reinsurance contracts are monitored by the Credit Control Committee and Credit Control Unit of the Accounts and Finance Department to ensure adherence to the Group's and the Company's credit policy. As part of the overall risk management strategy, the Group cedes insurance risk through proportional and non-proportional treaties and facultative arrangement.

- The Group monitors the credit quality and financial conditions of its reinsurers on an ongoing basis and review its reinsurance arrangements periodically. The Group typically cedes business to reinsurers that have a good credit rating and concentration of risk is avoided by adhering to policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors. When selecting its reinsurers, the Group considers their relative financial security. The security of the reinsurer is assessed based on public rating information and annual reports.

- The Group's credit risk exposure to insurance receivables arises from business with their appointed agents, brokers and other intermediaries. The risk arises where these parties collect premiums from customers to be paid to the Group. The Group has policies to monitor credit risk from these receivables with a focus on day-to-day monitoring of the outstanding position by the credit control staff. The Group also has guidelines to evaluate intermediaries before their appointment as well as setting credit terms to these appointees.

- The Group and the Company use the ratings assigned by external rating agencies to assess the credit risk of debt securities, fixed and call deposits, reinsurance receivables and insurance receivables. The Group and the Company also develop and maintain an internal risk grading to categorise exposures according to the degree of risk of default when external credit ratings are not available.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(ii) Concentrations of credit risk

The Group and the Company manage individual exposures as well as concentration of credit risks:

(i) By issuer for investments in debt instruments; and

(ii) By financial institutions for cash and bank balances and fixed and call deposits.

At end of the reporting period, there was no significant concentration of credit risks, other than:

(i) investments in corporate bonds and sukuk issued by five issuers amounted to RM138,241,000 (2017: RM129,988,000) and RM10,136,000 (2017: RM10,000,000) for the Group and the Company respectively; and

(ii) bank balances and deposits placed with five banks amounted to RM847,633,000 (2017: RM767,835,000) and RM145,799,000 (2017: RM163,078,000) for the Group and the Company respectively.

(iii) Credit quality analysis

The following table presents an analysis of the credit quality of financial assets at FVTPL and amortised cost. The inputs, assumptions and techniques used for estimating the impairment are disclosed in Note 33.4(iv).

Financial assets

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2018						
FVTPL						
Corporate bonds and sukuk	-	101,166	34,738	-	-	135,904
Amortised cost						
Malaysian government guaranteed loans	40,033	-	-	-	-	40,033
Corporate bonds and sukuk	10,000	29,984	17,905	-	-	57,889
Loans and receivables, excluding insurance receivables	346,128	391,204	297,595	101,000	162,238	1,298,165
Insurance receivables	-	3,803	2,559	31	153,604	159,997
Cash and cash equivalents (excluding liquid investments)	65,921	34,022	143,465	10,000	10,716	264,124
	462,082	459,013	461,524	111,031	326,558	1,820,208

NOTES
TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2018						
FVTPL						
Corporate bonds and sukuk	-	10,136	-	-	-	10,136
Amortised cost						
Loans and receivables, excluding insurance receivables	40,000	-	74,000	-	2,280	116,280
Cash and cash equivalents	109	-	31,689	-	-	31,798
	40,109	-	105,689	-	2,280	148,078

Age analysis of insurance receivables past due

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

Group	<30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	91 - 180 days RM'000	>180 days RM'000	Total RM'000
2018						
Insurance receivables	4,681	2,815	1,377	-	-	8,873

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Comparative information under MFRS 139

An analysis of the credit risk exposure of the Group by classifying assets according to reputable rating agencies' credit ratings of counterparties. AAA is the highest possible rating.

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2017						
Other investments:						
Held-to-maturity financial assets	45,055	134,992	39,296	-	-	219,343
Loans and receivables, excluding insurance receivables	352,930	377,768	336,553	83,000	209,881	1,360,132
Insurance receivables	-	10,667	13,164	-	132,548	156,379
Cash and cash equivalents (excluding liquid investments)	156,682	13,062	47,262	20,000	6,021	243,027
	554,667	536,489	436,275	103,000	348,450	1,978,881

Comparative information under MFRS 139

An analysis of the credit risk exposure of the Company by classifying assets according to reputable rating agencies' credit ratings of counterparties is as follows. AAA is the highest possible rating.

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-rated RM'000	Total RM'000
2017						
Other investments:						
Held-to-maturity financial assets	-	10,000	-	-	-	10,000
Loans and receivables, excluding insurance receivables	84,100	-	16,000	-	1,811	101,911
Cash and cash equivalents	49,098	-	13,978	-	-	63,076
	133,198	10,000	29,978	-	1,811	174,987

NOTES
TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Comparative information under MFRS 139 (continued)

An analysis of the credit quality of the Group's financial assets that were neither past due nor impaired and the ageing of financial assets that were past due but not impaired as at 31 December 2017 is as follows.

Group	Neither past due nor impaired Investment Grade RM'000	 Non-rated RM'000	Past due but not impaired RM'000	Total RM'000
2017				
Other investments:				
Held-to-maturity financial assets	219,343	-	-	219,343
Loans and receivables, excluding insurance receivables	1,150,251	209,881	-	1,360,132
Insurance receivables	23,831	119,321	13,227	156,379
Cash and cash equivalents (excluding liquid investments)	237,006	6,021	-	243,027
	1,630,431	335,223	13,227	1,978,881

Age analysis of financial assets past due but not impaired

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

Group	<30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	91 - 180 days RM'000	>180 days RM'000	Total RM'000
2017						
Insurance receivables	7,292	3,437	2,364	134	-	13,227

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iii) Credit quality analysis (continued)

Comparative information under MFRS 139 (continued)

Group	Neither past due nor impaired Investment Grade RM'000	 Non-rated RM'000	Past due but not impaired RM'000	Total RM'000
2017				
Other investments:				
Held-to-maturity financial assets	10,000	-	-	10,000
Loans and receivables, excluding insurance receivables	100,100	1,811	-	101,911
Cash and cash equivalents	63,076	-	-	63,076
	173,176	1,811	-	174,987

(iv) Amount arising from ECL

Allowance for impairment

The following tables show reconciliations from the opening balance to the closing balance of the allowance for impairment by class of financial instrument.

Group	/-------12-months ECL-------/ Corporate bonds and sukuk RM'000	 Due from reinsurers and cedants RM'000	Lifetime ECL Due premiums including agents and brokers and co-insurers RM'000	Total RM'000
2018				
At 1 January under MFRS 139	-	-	38	38
Changes on initial application of MFRS 9	13	80	792	885
At 1 January under MFRS 9	13	80	830	923
Net remeasurement of allowance for impairment	9	21	1,264	1,294
Bad debts written off against impairment allowance	-	-	(38)	(38)
Balance at 31 December	22	101	2,056	2,179

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iv) Amount arising from ECL (continued)

Allowance for impairment (continued)

Comparative information under MFRS 139

The Group records impairment allowance for insurance receivables in a separate allowance for impairment account. A reconciliation of the allowance for impairment for insurance receivables is as follows:

	Insurance receivables RM'000
Group	
2017	
At 1 January	7,640
Additional allowance during the year	485
Reversal of impairment loss	(3,400)
Bad debts written off against impairment allowance	(4,601)
Effect of movement in exchange rates	(86)
At 31 December	38

Inputs, assumptions and techniques used for estimating impairment

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

To determine lifetime and 12-month PDs, the Group and the Company use the PD table supplied by reputable rating agency based on the default history of obligors with the same credit rating. The Group and the Company adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. In addition, the Group and the Company also use the Bloomberg's Default Risk (DRSK) model to estimate the PD. Wherever applicable, additional forward-looking information is considered when determining PD, such as the Company's internal stress-testing of macroeconomic adverse scenarios. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iv) Amount arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

LGD is the magnitude of the likely loss if there is a default. The Group and the Company estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Wherever applicable and material, additional information is considered in determining LGDs, including structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Group and the Company derive the EAD from the current exposure to the counterparty and wherever applicable, potential changes to the current amount allowed under the contract, including early redemption and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group and the Company measure ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include:

- instrument type;
- credit risk gradings;
- line of business (for insurance receivables); and
- intermediaries (for reinsurance receivables).

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iv) Amount arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Definition of default

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held).

In assessing whether a borrower is in default, the Group and the Company consider indicators that are:

- qualitative: e.g. breaches of covenant and other indicators of financial distress;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group and the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's and the Company's experience, expert credit assessment and forward-looking information.

The Group and the Company primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with

- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Whenever available, the Group and the Company monitor changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group and the Company also perform a regular internal review on the creditworthiness of the counterparty based on the latest quantitative and qualitative data, together with available press and regulatory information about issuers.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

(iv) Amount arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

Where external credit ratings are not available, the Group and the Company allocate each exposure to an internal credit risk grade. The internal credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and benchmarked against external credit rating from reputable rating agencies.

The Group and the Company have assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Group and the Company consider a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The Group and the Company consider this to be BBB or higher based on credit ratings published by reputable rating agencies.

As a backstop, the Group and the Company consider that a significant increase in credit risk occurs no later than when an asset is more than 6 months past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined taking into consideration of the 3 months or 90 days credit terms that might be available to the counterparty.

The Group and the Company monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 6 months past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company may not have sufficient liquid financial resources to meet their obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Group's and the Company's policy is to maintain adequate liquidity to meet their liquidity needs under normal and stressed conditions.

(i) Management of liquidity risk

The following policies and procedures are in place to mitigate the Group's and the Company's exposure to liquidity risk:

- A Group and Company-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Group and the Company is established. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Group's and the Company's Risk Management and Compliance Committee ("RMCC") as soon as possible. The Group's and the Company's Investment Committee is the primary party responsible for liquidity management based on guidelines approved by the Board.

- There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contract obligations. As part of their liquidity management, the Group and the Company maintain sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans. The Group's and the Company's contingency funding plans include arranging credit line with banks and funding from the shareholders.

- The Group's and the Company's treaty reinsurance contract contains a "cash call" clause permitting the Group and the Company to make cash call on claim and receive immediate payment for a large loss without waiting for usual periodic payment procedures to occur.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.5 Liquidity risk (continued)

(ii) Maturity analysis

The table below summarises the maturity profile of the financial liabilities of the Group and of the Company based on remaining undiscounted contractual obligations, including interest/ profit payable.

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities.

Group	Carrying value RM'000	Contractual interest rate	Up to a year* RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Total RM'000
2018							
Provision for claims reported by policyholders	**880,144**	**-**	**616,770**	**220,209**	**34,847**	**8,318**	**880,144**
Insurance payables	**88,498**	**-**	**63,929**	**19,655**	**4,914**	**-**	**88,498**
Other payables	**107,112**	**-**	**81,032**	**23,954**	**1,787**	**339**	**107,112**
Total liabilities	**1,075,754**		**761,731**	**263,818**	**41,548**	**8,657**	**1,075,754**
2017							
Provision for claims reported by policyholders	704,706	-	462,632	201,617	33,812	6,645	704,706
Finance lease liabilities	899	3.5%	203	406	384	-	993
Insurance payables	121,894	-	87,498	19,655	14,741	-	121,894
Other payables	110,817	-	80,701	27,121	2,980	15	110,817
Total liabilities	938,316		631,034	248,799	51,917	6,660	938,410

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

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TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.5 Liquidity risk (continued)

(ii) Maturity analysis (continued)

Company	Carrying value RM'000	Up to a year* RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Total RM'000
2018						
Other payables	**1,163**	**1,163**	**-**	**-**	**-**	**1,163**
2017						
Other payables	1,198	1,198	-	-	-	1,198

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

33.6 Market risk

Management of market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rates/ profit yield risk) and market prices (price risk).

The key features of the Group's and the Company's market risk management practices and policies are as follows:

- A Group and Company-wide market-risk policy setting out the evaluation and determination of what constitutes market risk for the Group and the Company is put in place. Compliance with the policy is monitored and reported monthly to the Investment Committee.

- The Group and the Company have policies and limits to manage market risk. The market risk is managed through portfolio diversification and changes in asset allocation. The Group's and the Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Group's and the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.7 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

(i) Exposure to foreign currency risk

The Group and the Company face foreign currency risk, primarily because of their operations in Singapore (Branch) and some of their cash and deposits are held in USD. Consequently, the Group and the Company are exposed to risks that the exchange rate relative to other foreign currencies may affect the value of the Group's and the Company's assets or liabilities denominated in currencies other than the functional currency of the Group entities.

Foreign exchange transaction risk impacting the Group's and the Company's profit or loss arises both from external investing activities and intra-company operating activities. Currency risk relating to investing and operating activities in the normal course of business are generally not hedged.

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	Malaysian Ringgit RM'000	US Dollar RM'000	Total RM'000
2018			
Malaysian operation			
Investment in an associated company	**-**	**31,564**	**31,564**
Cash and cash equivalents	**-**	**2,105**	**2,105**
	-	**33,669**	**33,669**
Singapore operation			
Fair value through other comprehensive income	**32,832**	**-**	**32,832**
Cash and cash equivalents	**4,559**	**820**	**5,379**
	37,391	**820**	**38,211**
2017			
Malaysian operation			
Investment in an associated company	-	26,877	26,877
Cash and cash equivalents	-	716	716
	-	27,593	27,593
Singapore operation			
Available-for-sale financial assets	27,555	-	27,555
Cash and cash equivalents	6,094	-	6,094
	33,649	-	33,649

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TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.7 Currency risk (continued)

(i) Exposure to foreign currency risk (continued)

Company	US Dollar RM'000
2018	
Investment in an associated company	**10,833**
2017	
Investment in an associated company	10,833

(ii) Sensitivity analysis

The Group's and Company's exposure to currency risk is immaterial in the context of the financial statements and hence, sensitivity analysis is not presented.

33.8 Interest rate/ Profit yield risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates/ profit yield.

(i) Exposure to interest rate/ profit yield risk

The Group and the Company are exposed to interest rate risk primarily through their investments in fixed income securities and deposit placements. Interest rate risk is managed by the Group and the Company on an ongoing basis.

The Group and the Company have no significant concentration of interest rate/ profit yield risk.

(ii) Sensitivity analysis

The impact on profit before tax at +/- 25 basis points change in the interest rate, with all other variables held constant, is insignificant to the Group and the Company given that they have minimal floating rate financial instruments. Most of the Group's and the Company's fixed income securities and deposit placements are short-term in nature and are intended to be held-to-maturity. Hence, sensitivity analysis is not presented.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.9 Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/ profit yield risk or currency risk), regardless whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

(i) Exposure to price risk

The Group and the Company are exposed to price risk arising from investments held by the Group and the Company and classified in the statement of financial position as FVOCI and FVTPL financial assets (2017: available-for-sale) that comprise quoted equities, unit trusts, REITs and ETF.

(ii) Sensitivity analysis

The analysis below is performed for reasonably possible movements in market price with all other variables held constant, showing the impact on statements of profit or loss and other comprehensive income and changes in equity (due to changes in fair value of FVOCI and FVTPL financial assets (2017: available-for-sale)).

		2018		2017	
	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Group					
Market price	**+10%**	**-**	**86,146**	-	70,461
Market price	**-10%**	**-**	**(86,146)**	-	(70,461)
Company					
Market price	**+10%**	**-**	**80,014**	-	67,152
Market price	**-10%**	**-**	**(80,014)**	-	(67,152)

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

The method used for deriving sensitivity information and significant variables did not change from the previous period.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.10 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, systems or unexpected external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group and the Company cannot expect to eliminate all operational risks but mitigate them by establishing a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit. Business risk, such as changes in environment, technology and the industry are monitored through the Group's and the Company's strategic planning and budgeting process.

The Group's and the Company's risk taking units (Business Development/ Technical/ Support Divisions) are primarily responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. They are responsible for putting in place and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Group's and the Company's operational risk management framework and oversight by the Enterprise Risk Management Department, Risk Management and Compliance Committee and the Board.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.11 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2018										
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	1,090,899	-	-	1,090,899	-	-	-	-	1,090,899	1,090,899
Mandatory at fair value through profit or loss										
- Unit trust	36,009	-	-	36,009	-	-	-	-	36,009	36,009
- Real estate investment trusts ("REITs")	2,365	-	-	2,365	-	-	-	-	2,365	2,365
- Exchange-traded fund ("ETF")	590	-	-	590	-	-	-	-	590	590
- Quoted shares	3,635	-	-	3,635	-	-	-	-	3,635	3,635
- Unquoted shares	-	-	1,328	1,328	-	-	-	-	1,328	1,328
- Corporate bonds and sukuk	-	135,904	-	135,904	-	-	-	-	135,904	135,904
Amortised cost										
- Malaysian government guaranteed loans	-	-	-	-	-	40,420	-	40,420	40,420	40,033
- Corporate bonds and sukuk	-	-	-	-	-	58,001	-	58,001	58,001	57,889
	1,133,498	135,904	1,328	1,270,730	-	98,421	-	98,421	1,369,151	1,368,652

NOTES
TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.11 Fair value information (continued)

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2017										
Financial assets										
Available-for-sale										
- Unit trust	5,976	-	-	5,976	-	-	-	-	5,976	5,976
- Real estate investment trusts ("REITs")	978	-	-	978	-	-	-	-	978	978
- Exchange-traded fund ("ETF")	631	-	-	631	-	-	-	-	631	631
- Quoted shares	919,536	-	-	919,536	-	-	-	-	919,536	919,536
Held-to-maturity										
- Malaysian government guaranteed loans	-	-	-	-	-	40,344	-	40,344	40,344	40,055
- Corporate bonds and sukuk	-	-	-	-	-	181,862	-	181,862	181,862	179,288
	927,121	-	-	927,121	-	222,206	-	222,206	1,149,327	1,146,464
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(899)	(899)	(899)	(899)

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.11 Fair value information (continued)

Company	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2018										
Financial assets										
Designated at fair value through other comprehensive income										
- Quoted shares	**1,052,813**	**-**	**-**	**1,052,813**	**-**	**-**	**-**	**-**	**1,052,813**	**1,052,813**
Mandatory at fair value through profit or loss										
- Corporate bonds and sukuk	**-**	**10,136**	**-**	**10,136**	**-**	**-**	**-**	**-**	**10,136**	**10,136**
	1,052,813	**10,136**	**-**	**1,062,949**	**-**	**-**	**-**	**-**	**1,062,949**	**1,062,949**
2017										
Financial assets										
Available-for-sale										
- Quoted shares	883,580	-	-	883,580	-	-	-	-	883,580	883,580
Held-to-maturity										
- Corporate bonds and sukuk	-	-	-	-	-	10,390	-	10,390	10,390	10,000
	883,580	-	-	883,580	-	10,390	-	10,390	893,970	893,580

NOTES
TO THE FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.11 Fair value information (continued)

Level 1 and Level 2 fair values

The valuation techniques and inputs used in determining the fair values of the financial assets is disclosed in Note 7(f).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

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

	Group	
	2018 RM'000	2017 RM'000
Unquoted shares		
As at 1 January	**235**	235
Changes on initial application of MFRS 9	**1,080**	-
	1,315	235
Fair value gains in profit or loss	**13**	-
Balance as at 31 December	**1,328**	235

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted shares	The fair value is determined to approximate the net assets value of the investee as it is immaterial in the context of the financial statements.	Net assets value	The higher the value of net assets the higher the fair value.

34. REGULATORY CAPITAL REQUIREMENTS

The Group's and the Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The subsidiary of the Company, Lonpac Insurance Bhd ("Lonpac") is required to comply with the regulatory capital requirement prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework guidelines issued by Bank Negara Malaysia, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. As at year end, Lonpac has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of Lonpac as at 31 December 2018, as prescribed under the RBC Framework is provided below:

	2018 RM'000	2017 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	**200,000**	200,000
Retained earnings	**667,507**	590,220
	867,507	790,220
Tier 2 Capital		
Eligible reserves	**47,711**	44,032
Total capital available	**915,218**	834,252

35. SIGNIFICANT RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The related parties of the Group and of the Company are:

(i) Subsidiary

Details of the subsidiary are shown in Note 5.

(ii) Associated company

An associated company is a company in which the Group holds an interest of between 20% to 50% and can exercise significant influence, but not control, over its financial and operating policies. Details of the associated company are disclosed in Note 6.

NOTES
TO THE FINANCIAL STATEMENTS

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(iii) Key management personnel

Key management personnel includes the Company's and subsidiary's Executive and Non-Executive Directors and are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or Company either directly or indirectly. Compensation of key management personnel are disclosed in Note 27.

(iv) Companies in which a Director has substantial financial interest

These are entities in which significant voting power in such entities resides directly or indirectly, with a Director of the Company.

Significant related parties transactions and balances

(a) The significant related party transactions of the Group and of the Company, other than key management personnel compensation, are as follows:

Group	Associated Company		Companies in which a Director has substantial financial interest	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income earned:				
Premium income	**455**	626	**33,408**	33,036
Dividend income	**-**	-	**29,479**	26,122
Fixed deposits income	**-**	-	**5,642**	4,989
Corporate bonds and sukuk income	**-**	-	**3,306**	3,471
Information technology services	**34**	2	**-**	-
	489	628	**71,835**	67,618
Expenditure incurred:				
Rental paid	**-**	-	**(2,915)**	(2,926)
Insurance commission	**(96)**	(111)	**(50,678)**	(45,815)
Stock broking commission	**-**	-	**(4)**	(92)
Corporate advisory fees	**-**	-	**(86)**	-
	(96)	(111)	**(53,683)**	(48,833)
Other transaction:				
Purchase of corporate bonds and sukuk	**-**	-	**(10,000)**	(20,000)

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related parties transactions and balances (continued)

Company	Note	Subsidiary 2018 RM'000	Subsidiary 2017 RM'000	Companies in which a Director has substantial financial interest 2018 RM'000	Companies in which a Director has substantial financial interest 2017 RM'000
Income earned:					
Dividend income	20	**210,000**	170,000	**28,063**	25,087
Fixed deposits income		**-**	-	**356**	1,461
Corporate bonds and sukuk income		**-**	-	**750**	750
Secretarial fees		**-**	59	**-**	-
		210,000	170,059	**29,169**	27,298
Expenditure incurred:					
Premium paid		**(20)**	(10)	**-**	-
Stock broking commission		**-**	-	**-**	(57)
Management fees		**(420)**	(411)	**-**	-
Corporate advisory fees		**-**	-	**(86)**	-
		(440)	(421)	**(86)**	(57)

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

	2018 RM'000	2017 RM'000
Group		
Balances with related parties:		
Placements in fixed and call deposits	**88,097**	125,970
Bank balances	**12,937**	9,425
Corporate bonds and sukuk	**55,512**	55,000
	156,546	190,395
Company		
Balances with related parties:		
Bank balances	**109**	97
Corporate bonds and sukuk	**10,136**	10,000
	10,245	10,097

NOTES
TO THE FINANCIAL STATEMENTS

36. OPERATING LEASE COMMITMENTS

Leases as lessee

At 31 December 2018, the insurance subsidiary has commitments for future minimum lease payments under non-cancellable operating lease as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Less than one year	**6,035**	7,202
Between one and five years	**7,808**	10,839
	13,843	18,041

Leases as lessor

The insurance subsidiary leases out its investment properties (see Note 4). The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Less than one year	**492**	807
Between one and five years	**359**	77
	851	884

37. CAPITAL AND OTHER COMMITMENTS

	Group	
	2018 RM'000	**2017 RM'000**
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	**10,979**	11,724

38. CONTINGENT LIABILITIES

On 22 February 2017, the Company's wholly-owned subsidiary, Lonpac Insurance Bhd ("Lonpac") received a Notice of Proposed Decision ("Proposed Decision") by the Malaysia Competition Commission ("MyCC") under Section 36 of the Competition Act 2010 ("the Act").

MyCC informed that pursuant to its investigation, the commission on the preliminary basis finds that Lonpac together with the other 21 members of Persatuan Insurans Am Malaysia ("PIAM") have infringed the prohibition under Section 4(2)(a) of the Act for fixing parts trade discounts and labour rates for repair workshops and are therefore liable for an infringement under Section 4(3) of the Act.

MyCC has also proposed to impose a financial penalty of RM8,301,445 on Lonpac for the alleged infringement. The Proposed Decision is not final as at the date of this report, and Lonpac in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the Act.

Saved as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date.

39. CHANGES IN ACCOUNTING POLICIES

MFRS 9, *Financial Instruments*

The Group and the Company has adopted MFRS 9, *Financial Instruments* issued in July 2014 with a date of initial application on 1 January 2018.

The key changes to the Group's and the Company's accounting policies resulting from its adoption of MFRS 9 are summarised below.

(i) Classification of financial assets and financial liabilities

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

NOTES
TO THE FINANCIAL STATEMENTS

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

MFRS 9 eliminates the previous MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for Sale ("AFS") financial assets.

For an explanation of how the Group and the Company classify and measure financial assets and account for related gains and losses under MFRS 9, see Note 2(e)(ii).

MFRS 9 has not had a significant effect on the Group's and the Company's accounting policies for financial liabilities.

(ii) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost and debt instruments at FVOCI. Under MFRS 9, credit losses are recognised earlier than under MFRS 139. See Note 2(f)(i).

(iii) Transition upon the adoption of MFRS 9

Changes in accounting policies resulting from the adoption of MFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as of 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented for 2018 under MFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading at FVOCI.

- If a debt security had low credit risk at the date of initial application of MFRS 9, then the Group and the Company have assumed that credit risk on the asset had not increased significantly since its initial recognition.

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iii) Transition upon the adoption of MFRS 9 (continued)

The adoption of MFRS 9 has not had a material impact on the Group's and the Company's basic earnings per share for the years ended 31 December 2018 and 2017. Details of the changes and implications resulting from the adoption of MFRS 9 are presented in (iv).

(iv) Effect of initial application

(1) Classification of financial assets and financial liabilities

The following table and the accompanying notes below shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's and the Company's financial assets as at 1 January 2018.

	Note	Original classification under MFRS 139	Original carrying amount RM'000	New classification under MFRS 9	New carrying amount RM'000
Group					
Financial assets					
Investment in equity instruments not held for trading	*(a)*	AFS	**915,544**	FVOCI (designated)	**915,544**
Other investments	*(b)*	AFS	**11,812**	FVTPL (mandatory)	**12,892**
Investment in debt securities	*(c)*	HTM	**138,153**	FVTPL (mandatory)	**140,898**
Investment in debt securities	*(c)*	HTM	**81,190**	AC	**81,177**
Loans and receivables, excluding insurance receivables		L&R	**1,360,132**	AC	**1,360,132**
Insurance receivables		L&R	**156,379**	AC	**155,507**
Cash and cash equivalents		L&R	**243,027**	AC	**243,027**
Liquid investments classified as cash and cash equivalents	*(d)*	L&R	**51,432**	FVTPL (mandatory)	**51,432**
			2,957,669		**2,960,609**

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities (continued)

	Note	Original classification under MFRS 139	Original carrying amount RM'000	New classification under MFRS 9	New carrying amount RM'000
Company					
Financial assets					
Investment in equity instruments not held for trading	(a)	AFS	**883,580**	FVOCI (designated)	**883,580**
Investment in debt securities	(c)	HTM	**10,000**	FVTPL (mandatory)	**10,390**
Loans and receivables, excluding insurance receivables		L&R	**101,911**	AC	**101,911**
Cash and cash equivalents		L&R	**63,076**	AC	**63,076**
			1,058,567		**1,058,957**

The Group's and the Company's accounting policies on the classification of financial instruments under MFRS 9 are set out in Note 2(e)(ii).

The application of these policies resulted in the reclassifications set out in the table above and explained below.

(a) Equity investments were designated as available-for-sale under MFRS 139. Under MFRS 9, these assets are mandatory measured at FVTPL because they do not give rise to cash flows that are solely payments of principal and interest. On the adoption of MFRS 9, the Group and the Company have elected to designate these equity investments not held for trading purpose to be measured at FVOCI.

(b) Unit trust, real estate investment trusts ("REITs"), exchange-traded fund ("ETF"), equity securities (other than equity investments mentioned in (a) above) were classified as available-for-sale. On the adoption of MFRS 9, these assets meet the criteria for mandatory measurement at FVTPL because the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding.

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities (continued)

(c) Debt securities with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity were classified as held-to-maturity before the adoption of MFRS 9. The Group and the Company consider that under MFRS 9 these securities are held within a business model whose objective is achieved by collecting contractual cash flows. The contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at amortised cost and subject to impairment test under MFRS 9 with "expected credit loss" model.

Debt securities with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity were classified as held-to-maturity before the adoption of MFRS 9. On the adoption of MFRS 9, these debt securities meet the criteria for mandatory measurement of FVTPL where the contractual cash flows are not solely payments of principal and interest on the principal outstanding.

(d) Liquid investments were classified as loans and receivables under MFRS 139. On the adoption of MFRS 9, the liquid investments meet the criteria for mandatory measurement of FVTPL because the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding.

NOTES
TO THE FINANCIAL STATEMENTS

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities (continued)

The following table reconciles the carrying amounts of financial assets under MFRS 139 to the carrying amounts under MFRS 9 on the transition to MFRS 9 on 1 January 2018.

		1 January 2018			
			Reclassification to new MFRS 9 category		
Group Category under MFRS 139	31 December 2017 RM'000	Remeasurement RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
Financial assets					
Available-for-sale					
Investment in equity instruments not held for trading	915,544	-	-	915,544	-
Other investments	11,812	1,080	12,892	-	-
	927,356	1,080	12,892	915,544	-
Held-to-maturity					
Investment in debt securities	219,343	2,732	140,898	-	81,177
Loans and receivables					
Loans and receivables, excluding insurance receivables	1,360,132	-	-	-	1,360,132
Insurance receivables	156,379	(872)	-	-	155,507
Cash and cash equivalents	243,027	-	-	-	243,027
Liquid investments classified as cash and cash equivalents	51,432	-	51,432	-	-
	1,810,970	(872)	51,432	-	1,758,666

The Directors regard the liquid investments as cash and cash equivalents in view of their high liquidity and insignificant changes in fair value.

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(1) Classification of financial assets and financial liabilities (continued)

		1 January 2018			
			Reclassification to new MFRS 9 category		
Company **Category under MFRS 139**	**31 December 2017 RM'000**	**Remeasurement RM'000**	**FVTPL RM'000**	**FVOCI RM'000**	**AC RM'000**
Financial assets					
Available-for-sale					
Investment in equity instruments not held for trading	883,580	-	-	883,580	-
Held-to-maturity					
Investment in debt securities	10,000	390	10,390	-	-
Loans and receivables					
Loans and receivables, excluding insurance receivables	101,911	-	-	-	101,911
Cash and cash equivalents	63,076	-	-	-	63,076
	164,987	-	-	-	164,987

Financial liabilities

There were no changes to the Group's and the Company's classification and measurement of the financial liabilities on the adoption of MFRS 9.

NOTES
TO THE FINANCIAL STATEMENTS

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(2) Impairment of financial assets

The following table reconciles:

- The closing impairment allowance for financial assets in accordance with MFRS 139 as at 31 December 2017; to
- The opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

Group	MFRS 139 allowance at 31.12.2017 RM'000	Remeasurement RM'000	MFRS 9 allowance at 1.1.2018 RM'000
Held-to-maturity			
Investment in debt securities under MFRS 139 reclassified to amortised cost under MFRS 9	-	13	**13**
Insurance receivables measured at amortised cost under MFRS 139 and MFRS 9	38	872	**910**
	38	885	**923**

39. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 9, *Financial Instruments* (continued)

(iv) Effect of initial application (continued)

(3) Effect on fair value reserve and retained earnings

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening fair value reserve and retained earnings. There is no impact on other components of equity.

Impact of adopting MFRS 9 at 1.1.2018	Group RM'000	Company RM'000
Fair value reserve		
Closing balance under MFRS 139 at 31 December 2017	760,426	632,520
Reclassification of fair value reserve to retained earnings for financial assets reclassified from AFS to FVTPL	(2,102)	-
Deferred tax liabilities	430	-
Opening balance under MFRS 9 at 1 January 2018	758,754	632,520
Retained earnings		
Closing balance under MFRS 139 at 31 December 2017	799,964	297,230
Reclassification from fair value reserve for financial assets reclassified from AFS to FVTPL	2,102	-
Recognition of fair value gains for unquoted shares reclassified from AFS to FVTPL	1,080	-
Deferred tax liabilities	(689)	-
Impact at 1 January 2018	2,493	-
Recognition of fair value gains for financial assets reclassified from HTM to FVTPL	2,745	390
Deferred tax liabilities	(571)	-
Impact at 1 January 2018	2,174	390
Recognition of expected credit losses under MFRS 9	(885)	-
Deferred tax assets	211	-
Impact at 1 January 2018	(674)	-
Opening balance under MFRS 9 at 1 January 2018	803,957	297,620

NOTES
TO THE FINANCIAL STATEMENTS

40. COMPARATIVES

The Group has disaggregated the comparative impairment loss (recognised under MFRS 139, *Financial Instruments*: *Recognition and Measurement*) from 'management expenses' as a result of consequential changes made to MFRS 101, *Presentation of Financial Statements* to conform to current year presentation.

Statement of profit or loss for year ended 31 December 2017

Group	As originally presented RM'000	Reclassification RM'000	Restated RM'000
Net reversal of impairment loss on insurance receivables	-	2,915	2,915
Management expenses	(177,819)	(2,915)	(180,734)

STATEMENT
BY DIRECTORS
pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 152 to 279 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tee Choon Yeow
Director

Tan Kok Guan
Director

Date: 29 January 2019

STATUTORY
DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Tan Kok Guan**, the Director primarily responsible for the financial management of LPI Capital Bhd, do solemnly and sincerely declare that the financial statements set out on pages 152 to 279 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Tan Kok Guan, 560404-07-5363, in Kuala Lumpur on 29 January 2019.

Tan Kok Guan

Before me:

Commissioner for Oaths

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LPI Capital Bhd, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 152 to 279.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of general insurance contract liabilities
Refer to Note 2(n) and Note 13 to the financial statements

The key audit matter	How the matter was addressed in our audit
The insurance contract liabilities representing 89% of total liabilities are made up of claims liabilities which comprise of premium liabilities which are provision for unearned premiums and provision for claims reported by policyholders and incurred but not reported ("IBNR") claims as further explained in Note 2(m) and 2(n). **Claims liabilities** Due to the level of subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain especially in claims which require long duration until settlement particularly in Motor business, valuation of claims liabilities is a key judgmental area where our audit is concentrated on. Judgement is further required in determining the assumptions used in estimation of claims incurred but not yet reported at the end of the reporting period. The estimation of claims incurred but not yet reported at the end of the reporting period involves a range of standard actuarial claims projection techniques which rely on assumptions such as past claims development experience, qualitative judgement on external factors such as economic conditions, levels of claims inflation, judicial decisions and legislation and internal factors such as portfolio mix, policy features and claims handling procedures. A small change in the assumptions may have significant effect on the claims liabilities. **Premium liabilities** Estimation of premium liabilities involves judgement in the identification of best estimate value of Unexpired Risk Reserve at the required risk margin for adverse deviation. In determining the Unexpired Risk Reserve, the calculation used current estimates of future contractual cash flows in consideration of the current loss ratios for policies in-force as at the year-end after taking into account of investment return expected to arise on assets that support these claims liabilities.	Our audit procedures included, among others: • Evaluated and tested the key controls around reserving process, including controls over the completeness and accuracy of the data that support key reserving calculations. This includes performing control tests and/ or test of details on sample basis over the claims reserves, claims paid and insurance policies issued by the Group to source documents to ascertain the quality and accuracy of the underlying data. • Assessed the appropriateness of the valuation methods of outstanding claims and Unexpired Risk Reserve ("URR") against the requirements of Risk-Based Capital ("RBC") Framework as issued by Bank Negara Malaysia ("BNM"). • Assessed and challenged the appropriateness of development factors assumptions used in the calculation of IBNR by reference to the Group's and industry historical data, compared actual and expected experience and high level re-projection of claims liabilities for selected class of business with the support of our own actuarial specialist. • Performed tests on the Unexpired Premium Reserve ("UPR") calculation produced by management and compared the UPR against the URR to ascertain if adequate reserve have been established. • Assessed and challenged the appropriateness of loss ratios assumptions used in the calculation of URR by reference to the Group's and industry historical data with the support of our own actuarial specialist. • Assessed the adequacy of the Group's disclosures in relation to insurance liabilities including historical claims development and sensitivity analysis of claims liabilities on movement in key assumptions of the estimation.

Adoption of MFRS 9, Financial instruments Refer to Note 2(e) and Note 39 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
The Group and the Company have adopted MFRS 9 effective on 1 January 2018. There are assumptions, judgement and estimation uncertainties being involved in determining the classification, measurement and impairment of financial assets. MFRS 9 also introduces new disclosures requirements for classification, measurement and impairment of financial assets that are applicable to the financial statements of the Group and the Company. Upon adoption of MFRS 9, the Group and the Company measured their investments in unquoted debt securities of RM135,904,000 and RM10,136,000 respectively at fair value through profit or loss. The Group and the Company relied on an external bond pricing agency and/or financial institutions to obtain quotes to value these investments. Significant efforts are required to determine the appropriateness of the valuation of the unquoted debt securities as the up to date transaction prices are not readily available due to low trading volume.	Our audit procedures included, among others: • Assessed the completeness, accuracy and relevance of data used in preparing the transition adjustments. • Evaluated the reasonableness of management's key judgements and estimates made in adopting MFRS 9, including selection of methods, models, assumptions and data sources over classification and measurement decisions. • Assessed the completeness, accuracy and relevance of disclosures required by MFRS 7. • Performed independent price checks with the support of KPMG valuation specialist using various sources of external quotes and compared against the Group's prices that were used to value these unquoted investments.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF LPI CAPITAL BHD

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Ooi Eng Siong
Approval Number: 03240/ 02/ 2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 29 January 2019

BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):

(i) Utilisation of Proceeds Raised from Corporate Proposals

There was no corporate proposal during the financial year ended 31 December 2018.

Disclosed in accordance with Appendix 9C, Part A, item 13 of the Listing Requirements of Bursa Securities.

(ii) Audit and Non-audit Fees

The details of the statutory audit, audit-related and non-audit fees paid/ payable in 2018 to the external auditors and its affiliates are set out below:

	Company RM'000	Group RM'000
Fees paid/ payable to Messrs KPMG PLT ("KPMG") and its affiliates		
• Audit services		
- KPMG	**90**	**402**
- Overseas affiliates of KPMG	**-**	**392**
• Non-audit services		
- KPMG *	**6**	**105**
- Local affiliates of KPMG **	**6**	**31**
- Overseas affiliates of KPMG ***	**-**	**113**
Total	**102**	**1,043**

* The non-audit services fees paid/ payable to KPMG were for the interim review of the subsidiary company for 6 months ended 30 June 2018, review of Statement on Risk Management and Internal Control and other services. The provision of these services by the external auditors to LPI Group were cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity.

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

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

Disclosed in accordance with Appendix 9C, Part A, item 18 of the Listing Requirements of Bursa Securities.

BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS COMPLIANCE INFORMATION

(iii) Material Contracts

There were no material contracts entered into by the LPI Group involving directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

Disclosed in accordance with Appendix 9C, Part A, item 21 of the Listing Requirements of Bursa Securities.

(iv) Recurrent Related Party Transactions

LPI did not seek any mandate from its shareholders as required under Paragraph 10.09(2)(b), Part E of Chapter 10 of the Listing Requirements of Bursa Securities as the recurrent related party transactions of a revenue or trading nature entered into by LPI Group qualified as exempted transactions as defined under Paragraph 10.08(11)(e), Part E of Chapter 10 of the Listing Requirements of Bursa Securities.

Disclosed in accordance with Paragraph 10.09(2)(b), Part E of Chapter 10 of the Listing Requirements of Bursa Securities.

ANALYSIS OF **SHAREHOLDINGS**
as at 22 January 2019

Issued and fully paid-up share capital	RM398,382,753
Class of shares	Ordinary shares
Voting rights	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

	Shareholders				No. of Shares Held			
	Malaysia		Foreign		Malaysia		Foreign	
Size of Shareholdings	No.	%	No.	%	No.	%	No.	%
Less than 100 shares	749	9.28	10	0.12	8,889	*1	141	*1
100 – 1,000 shares	2,057	25.47	28	0.35	963,321	0.24	12,185	*1
1,001 – 10,000 shares	3,727	46.16	79	0.98	13,095,912	3.29	377,665	0.10
10,001 – 100,000 shares	1,147	14.20	90	1.11	31,651,482	7.94	2,764,759	0.70
100,001 to 19,919,136 (less than 5% of issued shares)	167	2.07	19	0.24	137,857,095	34.61	10,448,744	2.62
19,919,137 (5% of issued shares) and above	1	0.01	1	0.01	170,274,240	42.74	30,928,320	7.76
Total	7,848	97.19	227	2.81	353,850,939	88.82	44,531,814	11.18
Grand Total	8,075 (100%)				398,382,753 (100%)			

Note:
*1 *Less than 0.01%.*

ANALYSIS OF SHAREHOLDINGS

as at 22 January 2019

TOP THIRTY SECURITIES ACCOUNT HOLDERS BASED ON RECORD OF DEPOSITORS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name of Shareholders	No. of Shares Held	% of Issued Shares
1.	Consolidated Teh Holdings Sdn Berhad	170,274,240	42.74
2.	Sompo Japan Nipponkoa Insurance Inc	30,928,320	7.76
3.	Public Invest Nominees (Tempatan) Sdn Bhd Public Bank Group Officers' Retirement Benefits Fund	18,765,504	4.71
4.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	14,623,008	3.67
5.	AmanahRaya Trustees Berhad Public Savings Fund	6,162,396	1.55
6.	Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41
7.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Consolidated Chan Realty Sdn.Bhd (E-KUG)	4,892,680	1.23
8.	AmanahRaya Trustees Berhad Public Index Fund	3,981,312	1.00
9.	Teo Ah Khiang @ Chiang Kee Foon	3,481,920	0.87
10.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	3,342,180	0.84
11.	AmanahRaya Trustees Berhad Public Growth Fund	3,335,496	0.84
12.	AmanahRaya Trustees Berhad ASN Umbrella for ASN Equity 3	3,267,580	0.82
13.	Sompo Japan Nipponkoa Insurance Inc	3,096,000	0.78
14.	Tunku Zahrah Binti Tunku Osman	3,081,600	0.77
15.	GHS Strategic Holdings Sdn Bhd	2,607,000	0.65
16.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Ang Beng Poh	2,520,000	0.63
17.	AmanahRaya Trustees Berhad Public Equity Fund	2,502,984	0.63
18.	AmanahRaya Trustees Berhad ASN Umbrella for ASN Imbang (Mixed Asset Balanced) 2	2,425,680	0.61
19.	AmanahRaya Trustees Berhad Public Dividend Select Fund	2,210,460	0.55
20.	Seah Heng Lye	2,175,000	0.55

ANALYSIS OF SHAREHOLDINGS
as at 22 January 2019

	Name of Shareholders	No. of Shares Held	% of Issued Shares
21.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Chin Guan	2,140,000	0.54
22.	CIMB Commerce Trustee Berhad Public Focus Select Fund	1,791,936	0.45
23.	Olive Lim Swee Lian	1,394,600	0.35
24.	AmanahRaya Trustees Berhad Public Sector Select Fund	1,393,392	0.35
25.	Teh Moh Lee	1,366,200	0.34
26.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Beng Poh (WHH Corporation)	1,255,680	0.32
27.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Beng Poh (BMM)	1,250,000	0.31
28.	Cartaban Nominees (Asing) Sdn Bhd Exempt An for RBC Investor Services Trust (Clients Account)	1,200,900	0.30
29.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	1,192,100	0.30
30.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Tee Choon Yeow (PBCL-0G0390)	1,152,000	0.29
	Total	303,431,928	76.16

ANALYSIS OF SHAREHOLDINGS

as at 22 January 2019

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest		Total Interest	
Name of Shareholders	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1. Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41%	170,418,240[*1]	42.78%	176,040,000	44.19%
2. Consolidated Teh Holdings Sdn Berhad	170,274,240	42.74%	-	-	170,274,240	42.74%
3. Sompo Japan Nipponkoa Insurance Inc	34,024,320	8.54%	-	-	34,024,320	8.54%

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest		Total Interest	
Name of Directors	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1. Tan Sri Dato' Sri Dr. Teh Hong Piow	5,621,760	1.41%	170,418,240[*1]	42.78%	176,040,000	44.19%
2. Mr. Tee Choon Yeow	1,152,000	0.29%	-	-	1,152,000	0.29%
3. Mr. Tan Kok Guan	-	-	630,000[*2]	0.16%	630,000	0.16%
4. Mr. Lee Chin Guan	2,500,000	0.63%	-	-	2,500,000	0.63%
5. Mr. Quah Poh Keat	-	-	-	-	-	-
6. Ms. Chan Kwai Hoe	-	-	-	-	-	-
7. Ms. Soo Chow Lai	-	-	-	-	-	-

Note:

*1 *Deemed interest held by:*
(i) other corporations by virtue of Section 8(4) of the Companies Act 2016; and
(ii) person(s) connected as defined per Section 197 of the Companies Act 2016 and by virtue of Section 59(11)(c) of the Companies Act 2016.

*2 *Deemed interest held by person(s) connected as defined per Section 197 of the Companies Act 2016 and by virtue of Section 59(11)(c) of the Companies Act 2016.*

ISSUED AND PAID-UP
SHARE CAPITAL

The issued and paid-up share capital as at 22 January 2019 is RM398,382,753. The changes in the issued and paid-up share capital are as follows:

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital(RM)
04.10.1962	2	Subscribers' Shares	2
28.03.1963	999,998	Allotment of Shares to Essex Securities Ltd and Montreal Trust Company	1,000,000
28.06.1972	2,000,000	Bonus Issue 1:2 of 500,000 ordinary shares of RM1.00 each and Allotment of 1,500,000 ordinary shares of RM1.00 each to Kuala Lumpur Holdings Sdn. Berhad, Far Eastern Oriental Sdn. Berhad and Mr. Fred Eu Keng Fai	3,000,000
30.12.1972	3,000,000	Allotment of ordinary shares of RM1.00 each to Wei Woo Estates & Investment Limited, Hong Kong, in exchange of 6,000,000 shares of HK$1.00 each in Wei Woo Estates & Investment Limited	6,000,000
18.01.1973	2,000,000	Rights Issue 1:3 at RM1.00	8,000,000
10.06.1980	6,000,000	Allotment of 7 1/2% Convertible Preference Shares of RM0.50 each to Selected Holdings Sdn. Berhad	11,000,000
29.10.1992	8,800,000	Capitalisation of share premium account, capital reserve account and revenue reserve account (Bonus Issue 4:5)	19,800,000
22.06.1994	9,900,000	Capitalisation of share premium account and revenue reserve account (Bonus Issue 1:2)	29,700,000
01.11.1996	11,880,000	Capitalisation of unappropriated profits (Bonus Issue 2:5)	41,580,000
10.12.1996	11,880,000	Rights Issue 2:5 at RM7.00	53,460,000
15.01.1999	53,460,000	Capitalisation of share premium reserve account (Bonus Issue 1:1)	106,920,000
12.04.2000	435,000	Exercise of share options under LPI ESOS at option price of RM2.60 per share	107,355,000
18.10.2001	43,000	Exercise of share options under LPI ESOS at option price of RM2.60 per share	107,398,000
24.07.2002	10,739,000	Subscription of new ordinary shares of LPI by NIPPONKOA INSURANCE CO., LTD. at RM3.81 per share	118,137,000
08.01.2003	473,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	118,610,000
21.08.2003	1,117,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	119,727,000

ISSUED AND PAID-UP
SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital(RM)
30.09.2003	432,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	120,159,000
08.01.2004	1,237,000	Exercise of share options under LPI ESOS at option price of RM3.29 per share	121,396,000
29.03.2004	1,857,000	Exercise of share options under LPI ESOS as follows: - 1,773,000 shares at option price of RM3.29 - 84,000 shares at option price of RM3.76	123,253,000
04.06.2004	619,000	Exercise of share options under LPI ESOS as follows: - 592,000 shares at option price of RM3.29 - 27,000 shares at option price of RM3.76	123,872,000
27.08.2004	921,000	Exercise of share options under LPI ESOS as follows: - 675,000 shares at option price of RM3.29 - 4,000 shares at option price of RM3.76 - 242,000 shares at option price of RM3.66	124,793,000
22.10.2004	1,545,000	Exercise of share options under LPI ESOS as follows: - 1,050,000 shares at option price of RM3.29 - 15,000 shares at option price of RM3.76 - 480,000 shares at option price of RM3.66	126,338,000
29.11.2004	980,000	Exercise of share options under LPI ESOS as follows: - 624,000 shares at option price of RM3.29 - 37,000 shares at option price of RM3.76 - 319,000 shares at option price of RM3.66	127,318,000
24.12.2004	1,583,000	Exercise of share options under LPI ESOS as follows: - 567,000 shares at option price of RM3.29 - 71,000 shares at option price of RM3.76 - 756,000 shares at option price of RM3.66 - 189,000 shares at option price of RM4.30	128,901,000
24.01.2005	1,257,000	Exercise of share options under LPI ESOS as follows: - 391,000 shares at option price of RM3.29 - 255,000 shares at option price of RM3.76 - 526,000 shares at option price of RM3.66 - 85,000 shares at option price of RM4.30	130,158,000

ISSUED AND PAID-UP
SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital(RM)
08.02.2005	5,653,000	Exercise of share options under LPI ESOS as follows: - 94,000 shares at option price of RM3.29 - 594,000 shares at option price of RM3.76 - 4,888,000 shares at option price of RM3.66 - 77,000 shares at option price of RM4.30	135,811,000
18.04.2005	435,000	Exercise of share options under LPI ESOS as follows: - 27,000 shares at option price of RM3.29 - 161,000 shares at option price of RM3.76 - 112,000 shares at option price of RM3.66 - 27,000 shares at option price of RM4.30 - 108,000 shares at option price of RM5.94	136,246,000
11.07.2005	192,000	Exercise of share options under LPI ESOS as follows: - 3,000 shares at option price of RM3.29 - 11,000 shares at option price of RM3.76 - 47,000 shares at option price of RM3.66 - 27,000 shares at option price of RM4.30 - 104,000 shares at option price of RM5.94	136,438,000
21.07.2005	930,000	Exercise of share options under LPI ESOS as follows: - 1,000 shares at option price of RM3.29 - 37,000 shares at option price of RM3.76 - 87,000 shares at option price of RM3.66 - 46,000 shares at option price of RM4.30 - 759,000 shares at option price of RM5.94	137,368,000
07.10.2005	288,000	Exercise of share options under LPI ESOS as follows: - 3,000 shares at option price of RM3.29 - 26,000 shares at option price of RM3.76 - 26,000 shares at option price of RM3.66 - 8,000 shares at option price of RM4.30 - 150,000 shares at option price of RM5.94 - 75,000 shares at option price of RM6.29	137,656,000
20.10.2005	271,000	Exercise of share options under LPI ESOS as follows: - 42,000 shares at option price of RM3.29 - 11,000 shares at option price of RM3.66 - 3,000 shares at option price of RM4.30 - 127,000 shares at option price of RM5.94 - 88,000 shares at option price of RM6.29	137,927,000

ISSUED AND PAID-UP
SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital(RM)
17.11.2005	23,000	Exercise of share options under LPI ESOS as follows: - 1,000 shares at option price of RM3.29 - 19,000 shares at option price of RM5.94 - 3,000 shares at option price of RM6.29	137,950,000
30.11.2005	61,000	Exercise of share options under LPI ESOS as follows: - 26,000 shares at option price of RM3.66 - 20,000 shares at option price of RM5.94 - 15,000 shares at option price of RM6.29	138,011,000
14.12.2005	165,000	Exercise of share options under LPI ESOS as follows: - 55,000 shares at option price of RM3.76 - 31,000 shares at option price of RM3.66 - 51,000 shares at option price of RM5.94 - 25,000 shares at option price of RM6.29 - 3,000 shares at option price of RM6.95	138,176,000
27.12.2005	547,000	Exercise of share options under LPI ESOS as follows: - 3,000 shares at option price of RM3.29 - 10,000 shares at option price of RM3.76 - 12,000 shares at option price of RM3.66 - 1,000 shares at option price of RM4.30 - 380,000 shares at option price of RM5.94 - 67,000 shares at option price of RM6.29 - 74,000 shares at option price of RM6.95	138,723,000
29.09.2010	68,834,150	Capitalisation of share premium reserve account (Bonus Issue 1:2)	207,557,150
29.09.2010	13,766,830	Rights Issue 1:10 at RM7.00	221,323,980
24.03.2015	110,661,828	Capitalisation of share premium reserve account (Bonus Issue 1:2)	331,985,808
11.04.2018	66,396,945	Capitalisation of share premium reserve account and retained earnings account (Bonus Issue 1:5)	398,382,753

PARTICULARS OF PROPERTY
HELD BY THE GROUP

Location	Units 02-39, 02-41, 02-43 and 02-45 Goldhill Plaza Newton Road Singapore
Description	2^{nd} floor of 6 storey building
Current use	Rented out to third parties
Tenure	Leasehold 999 years
Remaining lease period (Expiry date)	952 years (26 February 2971)
Age of property	47 years
Built-up area	4,952 sq. ft
Net book value	RM27,360,000
Date of acquisition	26 February 1972
Date of last revaluation	18 December 2018

INTERNATIONAL
NETWORK

GROUP CORPORATE
DIRECTORY

HEAD OFFICE
6th Floor, Bangunan Public Bank,
6, Jalan Sultan Sulaiman,
50000 Kuala Lumpur, Malaysia.
Tel No. : (603) 2262 8688 / 2723 7888
Fax No. : (603) 2078 7455
Website: www.lpicapital.com

SUBSIDIARY

LONPAC INSURANCE BHD

Head Office
LG, 6th - 7th, 21st - 26th Floor,
Bangunan Public Bank,
6, Jalan Sultan Sulaiman,
50000 Kuala Lumpur.
P.O. Box 10708
50722 Kuala Lumpur.
Tel No. : (603) 2262 8688 / 2723 7888
Fax No. : (603) 2715 1332 /2078 7455 / 2034 2654 / 2715 0722 / 2072 3385 / 2715 0696 / 2723 7886
Website: www.lonpac.com

NORTHERN REGION I

Head of Northern Region I & East Coast Region
Mr. James Kong Wai Mun
Tel No. : (605) 254 0340
Fax No. : (605) 254 2119 /255 2657
Email : jameskong@lonpac.com

Taiping Branch
No.9, Ground & 1st Floor,
Persiaran Taiping,
34000 Taiping,
Perak.

Head of Branch
Ms. Ang Gaik Hua
Tel No. : (605) 8091 666 / 8091 667
Fax No.: (605) 8091 668
Email : ghang@lonpac.com

Sitiawan Branch
No. 10, Jalan PPMP 3/1,
Pusat Perniagaan Manjung Point 3,
32040 Seri Manjung,
Perak.

Head of Branch
Mr. Aw Seng Oo
Tel No. : (605) 688 9961 / 688 9962
Fax No.: (605) 688 9960
Email : soaw@lonpac.com

Ipoh Branch
Lot 12 & 14,
Jalan Yeop Abdul Rani,
30300 Ipoh,
Perak.

Head of Branch
Mr. Moh Wai Kit
Tel No. : (605) 254 0340
Fax No.: (605) 254 2119 / 255 2657
Email : wkmoh@lonpac.com

NORTHERN REGION II

Head of Northern Region II
Ms. Lillian Koh Gim Ping
Tel No. : (604) 217 0998
Fax No.: (604) 217 0898
Email : lilliankoh@lonpac.com

Alor Setar Branch
No. 4 & 5, 2nd Floor,
No. 55, Bangunan Emum 55,
Jalan Gangsa,
Kawasan Perusahaan Mergong 2,
05150 Alor Setar,
Kedah.

Head of Branch
Mr. Beh Seng Tong
Tel No. : (604) 731 4413
Fax No.: (604) 733 6100
Email : stbeh@lonpac.com

Penang Branch
Level 3A, Sunrise Gurney,
No.68, Persiaran Gurney,
10250 Penang.

Head of Branch
Ms. Ooi Yen Lew
Tel No. : (604) 217 0998
Fax No. : (604) 217 0898
Email : ylooi@lonpac.com

EAST COAST REGION

Kuantan Branch
B-62B, 1st Floor,
Lorong Tun Ismail 8,
Sri Dagangan II,
25000 Kuantan,
Pahang.

Head of Branch
Mr. Chen Fan Yen
Tel No. : (609) 514 4107
Fax No.: (609) 514 5001
Email : fychen@lonpac.com

GROUP CORPORATE
DIRECTORY

Kuala Terengganu Branch
Lot 5032-B,
Jalan Sultan Zainal Abidin,
20000 Kuala Terengganu,
Terengganu.

Head of Branch
Encik Yaakub Bin Abu Bakar
Tel No. : (609) 622 2088 / 622 2099
Fax No. : (609) 622 2123
Email : yaakubabubakar@lonpac.com

Kota Bharu Branch
No. PT 286, Tingkat 1 & 2,
Jalan Kebun Sultan,
15300 Kota Bharu,
Kelantan.

Head of Branch
Ms. Angelinne Fong Geok Lan
Tel No. : (609) 744 3166 / 744 3066
Fax No. : (609) 744 9948
Email : glfong@lonpac.com

CENTRAL REGION

Kajang Branch
No. 13-1 & 13-2,
Jalan KP1/3,
Kajang Prima,
43000 Kajang,
Selangor Darul Ehsan.

Head of Branch
Mr. Sebastian Tan York Chung
Tel No. : (603) 8736 9130
Fax No. : (603) 8736 9135
Email : sebastiantan@lonpac.com

Klang Branch
No. 2-08, 8th Floor,
Menara Empire, Jalan Empayar,
Off Persiaran Sultan Ibrahim/KU1,
41050 Klang Bandar Diraja,
Selangor Darul Ehsan.

Head of Branch
Ms. Tan Bee Bee
Tel No. : (603) 3341 9133
Fax No. : (603) 3341 9233
Email : bbtan@lonpac.com

SOUTHERN REGION

Seremban Branch
No. 496, Jalan Haruan 4/4,
Oakland Commercial Centre,
70300 Seremban,
Negeri Sembilan.

Head of Branch
Mr. Gavin Tan Poh Teck
Tel No. : (606) 601 5677
Fax No. : (606) 601 6768
Email : pttan@lonpac.com

Melaka Branch
No. 7 & 9, Jalan Melaka Raya 11,
Taman Melaka Raya,
75000 Melaka.

Head of Branch
Mr. Yong Chee Chean
Tel No. : (606) 282 5169
Fax No. : (606) 284 1097 / 282 9018
Email : ccyong@lonpac.com

Segamat Branch
No. 23, Jalan Genuang Perdana,
Taman Genuang Perdana,
85000 Segamat,
Johor.

Head of Branch
Mr. Lee Yoke Wah
Tel No. : (607) 943 6860 / 943 6880
Fax No. : (607) 943 6870
Email : ywlee@lonpac.com

Batu Pahat Branch
13, Jalan Flora Utama 1,
Taman Flora Utama,
83000 Batu Pahat,
Johor.

Head of Branch
Mr. Dennis Chong Shiung Tiam
Tel No. : (607) 433 8169 / 433 9169
Fax No. : (607) 433 9166
Email : dennischong@lonpac.com

Johor Bahru Branch
Suite No. 25.02-25.04, 25th Floor,
Public Bank Tower,
No. 19, Jalan Wong Ah Fook,
80000 Johor Bahru,
Johor.

Head of Branch
Mr. Ryan Leong Chee Woei
Tel No. : (607) 222 1368
Fax No. : (607) 223 0549
Email : ryanleong@lonpac.com

SARAWAK REGION

Head of Sarawak Region
Mr. Wong Shon Kwang
Tel No. : (6082) 428 529
Fax No. : (6082) 424 512
Email : skwong@lonpac.com

Kuching Branch
Lot 258 & 259,
Ground and 1st Floor,
Section 49, KTLD,
Jalan Chan Chin Ann,
93100 Kuching,
Sarawak.

Head of Branch
Mr. Wong Shon Kwang
Tel No. : (6082) 428 529
Fax No.: (6082) 424 512
Email : skwong@lonpac.com

Sibu Branch
No. 4 & 6, 1st Floor,
Lorong Pedada 20A,
96000 Sibu,
Sarawak.

Head of Branch
Mr. Joseph Pang Neng Liong
Tel No. : (6084) 313 823 / 313 023
Fax No.: (6084) 322 923
Email : nlpang@lonpac.com

Miri Branch
Lot 3528, 1st & 2nd Floor,
Al-Bayt Square,
(Miri 101 Commercial Centre),
Jalan Miri-Pujut,
98000 Miri,
Sarawak.

Head of Branch
Mr. Desmond Ng Tin Fong
Tel No. : (6085) 324 806
Fax No.: (6085) 324 769
Email : desmondng@lonpac.com

SABAH REGION

Head of Sabah Region
Mr. Nicholas Wong Kok Choong
Tel No. : (6088) 217 922
Fax No.: (6088) 236 917
Email : nicholaswong@lonpac.com

Kota Kinabalu Branch
Level 9, Wisma Fook Loi,
No. 38, Jalan Gaya,
88000 Kota Kinabalu,
Sabah.

Head of Branch
Ms. Veronica Chin Nyuk Lan
Tel No. : (6088) 217 922
Fax No.: (6088) 236 917
Email : veronicachin@lonpac.com

Sandakan Branch
4th Floor, Menara Rickoh,
Indah Commercial Complex,
Bandar Indah,
Mile 4, North Road,
90000 Sandakan,
Sabah.

Head of Branch
Ms. Joan Fung Nyuk Lee
Tel No. : (6089) 237 163
Fax No.: (6089) 237 169
Email : joanfung@lonpac.com

Tawau Branch
TB4427 & TB4428,
1st Floor, Block C,
Sabindo Square,
Jalan Dunlop,
91000 Tawau,
Sabah.

Head of Branch
Mr. Peter Gau Fui Ming
Tel No. : (6089) 756 997 / 756 998
Fax No.: (6089) 756 995
Email : petergau@lonpac.com

SINGAPORE BRANCH
300, Beach Road #17-04/07,
The Concourse,
Singapore 199555.

Chief Executive
Mr. Quek Sun Hui
Tel No. : (02) 6250 7388
Fax No.: (02) 6296 3767
Email : shquek@lonpac.com
Website: www.lonpac.com.sg

ASSOCIATED COMPANY
CAMPU LONPAC INSURANCE PLC

Head Office
7th Floor, Campu Bank Building,
No. 23, Kramuon Sar Avenue
(Street No. 114),
Sangkat Phsar Thmey II,
Khan Daun Penh,
Phnom Penh,
Cambodia.

General Manager
Mr. Soh Jiun Hong
Tel No. : (855) 23 966 966 / 23 998 200 / 23 986 279
Fax No.: (855) 23 986 273 / 23 986 308
Email : soh.jiunhong@campulonpac.com.kh
Website: www.campulonpac.com.kh

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 58th Annual General Meeting (AGM) of LPI Capital Bhd will be held at Sabah Room, Basement II, Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Wednesday, 27 March 2019 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To re-elect the following Directors who retire by rotation in accordance with Article 97 of the Company's Articles of Association (Constitution) and who being eligible offer themselves for re-election:
   i. Mr Lee Chin Guan **Ordinary Resolution 1**
   ii. Ms Chan Kwai Hoe **Ordinary Resolution 2**

3. To re-elect Ms Soo Chow Lai who retire by rotation in accordance with Article 102 of the Company's Articles of Association (Constitution) and who being eligible offer herself for re-election. **Ordinary Resolution 3**

4. To approve the payment of Directors' fees of RM1,015,000 for the financial year ended 31 December 2018. **Ordinary Resolution 4**

5. To approve the payment of Directors' Benefits amounting to RM277,500 for the financial year ended 31 December 2018. **Ordinary Resolution 5** **(Please refer to Explanatory Note 2)**

6. To approve the insurance coverage for non-executive directors from 58th AGM to 59th AGM of the Company. **Ordinary Resolution 6** **(Please refer to Explanatory Note 3)**

7. To re-appoint Messrs. KPMG PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix the Auditors' remuneration. **Ordinary Resolution 7**

As Special Business

8. To consider and if thought fit, to pass the following Special Resolution: **Special Resolution 1** **(Please refer to Explanatory Note 4)**

   Proposed Adoption of the New Constitution of the Company

   "THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company (M&A) with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in Appendix A despatched together with the Company's Annual Report 2018 be and is hereby adopted as the Constitution of the Company.

   AND THAT, the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

By Order of the Board

KONG THIAN MEE
MAICSA 7024050
Company Secretary

Kuala Lumpur
26 February 2019

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 19 March 2019 be regarded as members and entitled to attend, speak and vote at the meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint not more than 2 proxies (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.

3. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

7. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the holding of the meeting or at any adjournment thereof.

8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of Meeting will be put to vote by poll.

NOTICE OF
ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to the provision of Sections 248(2) and 340(1)(a) of the Companies Act 2016. Hence, this matter will not be put for voting.

2. The breakdown of the proposed payment of Directors' Benefits amounting to RM277,500 for the financial year ended 31 December 2018 is as set out below:

   (i) Meeting Attendance Allowances

      (a) Board of Directors' Meeting Attendance Allowance of RM1,500 per meeting;
      (b) Audit Committee (AC) Meeting Attendance Allowance of RM1,500 per meeting; and
      (c) Risk Management Committee Meeting Attendance Allowance of RM1,500 per meeting.

   (ii) AC Allowance of RM3,000 per month.

3. Insurance coverage for non-executive directors is as per following:

	Insurance	Premium
(i)	Hospitalisation and Surgical Insurance	RM8,683
(ii)	Personal Accident Insurance	RM858
(iii)	Travel Insurance	RM773

4. Proposed Adoption of the New Constitution of the Company (Proposed Adoption)

   The Special Resolution 1, if passed will streamline the Company's Constitution with the new provisions of the Companies Act 2016, amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and enhance administrative efficiency. The Board proposed that the existing M&A be revoked in its entirety and the proposed new Constitution of the Company as set out in Appendix A be adopted as the new Constitution of the Company. The Proposed Adoption shall take effect once it has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at the 58th AGM.

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LPI CAPITAL BHD (4688-D)
Incorporated in Malaysia

FORM OF PROXY

I/ We ______________________________ NRIC (New)/ Company No. : ____________________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

being a member/ members of LPI CAPITAL BHD, hereby appoint* ______________________________
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No. : ____________________ of ______________________________
(FULL ADDRESS)

and/ or ______________________________ NRIC (New) No. : ____________________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

or failing him, the Chairman of the Meeting as *my/ our proxy/ proxies to attend and vote for *me/ us on *my/ our behalf, at the Fifty-Eighth Annual General Meeting of the Company to be held at Sabah Room, Basement II, Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 27 March 2019 at 11.00 a.m., or any adjournment thereof, to vote as indicated below:

NO.	RESOLUTION	FOR	AGAINST
Ordinary Business			
1.	Re-election of Mr Lee Chin Guan as Director.		
2.	Re-election of Ms Chan Kwai Hoe as Director.		
3.	Re-election of Ms Soo Chow Lai as Director.		
4.	Approval of payment of Directors' fees.		
5.	Approval of payment of Directors' benefits.		
6.	Approval of insurance coverage for Non-Executive Directors.		
7.	Re-appointment of Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration.		
Special Business			
8.	Proposed Adoption of the New Constitution of the Company.		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the Proxy(ies) will vote or abstain from voting at his discretion.)

Dated this __________ day of _______________ 2019

No. of ordinary shares held	:
CDS Account No	:
Proportion of shareholdings to be represented by proxies	: First Proxy : ___________% Second Proxy : ___________%
Contact No.	:

____
Signature of Member/ Common Seal

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 19 March 2019 be regarded as members and entitled to attend, speak and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.
3. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the holding of the meeting or at any adjournment thereof.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of Meeting will be put to vote by poll.

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STAMP

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South,
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,
Malaysia

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www.lpicapital.com

LPI CAPITAL BHD (4688-D)

6th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Malaysia

T (03) 2262 8688 / 2723 7888
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