Tune Ins Holdings Berhad (Company No. 948454-K)
(Incorporated in Malaysia under the Companies Act, 1965)

Bangunan Tune Insurance
No. 38, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

www.tuneinsurance.com

PROSPECTUS

Tune Ins Holdings Berhad (Company No. 948454-K)
(Incorporated in Malaysia under the Companies Act, 1965)

Tune Ins Holdings Berhad

(Company No. 948454-K)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING OF UP TO 210,224,900 ORDINARY SHARES OF RM0.10 EACH IN TUNE INS HOLDINGS BERHAD ("TIH") ("TIH SHARES") COMPRISING A PUBLIC ISSUE OF UP TO 143,374,900 NEW TIH SHARES ("PUBLIC ISSUE SHARES") AND AN OFFER FOR SALE OF UP TO 66,850,000 EXISTING TIH SHARES ("OFFER SHARES") COMPRISING:

(I) THE INSTITUTIONAL OFFERING OF UP TO 102,028,100 PUBLIC ISSUE SHARES AND UP TO 66,850,000 OFFER SHARES TO:

(A) MALAYSIAN INSTITUTIONAL AND SELECTED INVESTORS INCLUDING BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF FINANCE; AND

(B) FOREIGN INSTITUTIONAL AND SELECTED INVESTORS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED,

AT THE INSTITUTIONAL PRICE TO BE DETERMINED BY WAY OF BOOKBUILDING; AND

(II) THE RETAIL OFFERING OF UP TO 41,346,800 PUBLIC ISSUE SHARES TO:

(A) MALAYSIAN CITIZENS, COMPANIES, CO-OPERATIVES, SOCIETIES AND INSTITUTIONS; AND

(B) THE ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF TIH AND ITS SUBSIDIARIES,

AT THE RETAIL PRICE OF RM1.55 PER PUBLIC ISSUE SHARE,

SUBJECT TO CLAWBACK AND REALLOCATION PROVISIONS AND OVER-ALLOTMENT OPTION AS DESCRIBED IN THIS PROSPECTUS.

THE RETAIL PRICE IS PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO A REFUND OF THE DIFFERENCE IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN THE RETAIL PRICE. THE FINAL RETAIL PRICE WILL EQUAL THE INSTITUTIONAL PRICE, SUBJECT THAT IT WILL NOT EXCEED THE RETAIL PRICE.

Principal Adviser, Managing Underwriter and Joint Bookrunner

RHB INVESTMENT BANK BERHAD
(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Co-Adviser, Joint Underwriter and Joint Bookrunner

KENANGA INVESTMENT BANK BERHAD
A Participating Organisation of Bursa Malaysia Securities Berhad

Joint Global Coordinator, Joint Underwriter and Joint Bookrunner

CIMB

Joint Global Coordinator and Joint Bookrunner

CLSA ASIA-PACIFIC MARKETS

Joint Bookrunner

Standard Chartered

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. PLEASE REFER TO SECTION 4 HEREIN FOR "RISK FACTORS".

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

THIS PROSPECTUS IS DATED 23 JANUARY 2013

RESPONSIBILITY STATEMENTS

The Directors and Promoters (as defined in this Prospectus) of our Company as well as the Offeror, namely, Tune Money Sdn Bhd have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

RHB Investment Bank Berhad, being the Principal Adviser for our initial public offering ("**IPO**"), acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

Kenanga Investment Bank Berhad, being the Co-Adviser for our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

Although CLSA Singapore Pte Ltd is a Joint Global Coordinator and Joint Bookrunner in thc Institutional Offering (other than in respect of the offering to Bumiputera investors approved by the Ministry of Finance), it will not be underwriting any portion of the Retail Offering in Malaysia, and, as such, disclaims any responsibility for the Retail Offering in Malaysia.

Although Standard Chartered Securities (Singapore) Pte. Limited is a Joint Bookrunner in the Institutional Offering to foreign institutional and selected investors outside the United States in reliance on Regulation S under the United Securities Act of 1933, as amended, it will not be underwriting any portion of the Institutional Offering and Retail Offering in Malaysia, and, as such, disclaims any responsibility for the Institutional Offering and Retail Offering in Malaysia.

You should note that any agreements by the Managing Underwriter and Joint Underwriters named in this Prospectus to underwrite our Shares (as defined below) under the Underwriting Agreement (as defined herein) are not to be taken as an indication of the merits of our Shares being offered.

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia ("**SC**") had on 10 December 2012 approved our IPO and a copy of this Prospectus has been registered with the SC on 18 January 2013. The approval, and registration of this Prospectus, should not be taken to indicate that the SC recommends our IPO or assumes the responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO AND AN INVESTMENT IN US. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Approval has been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 8 January 2013 for the listing of and quotation for our entire issued and paid-up share capital comprising ordinary shares of RM0.10 each in our Company ("**Shares**"). Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of the invitation, our corporation or our securities. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, together with the application forms, has also been lodged with the Registrar of Companies of Malaysia who takes no responsibility for its contents.

OTHER STATEMENTS

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through sections 248, 249 and 357 of the Capital Markets & Services Act 2007 ("**CMSA**").

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in section 236 of the CMSA, e.g. directors and advisers, are responsible.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional and selected investors outside Malaysia in connection with our IPO. Our Board, Promoters, Offeror, Principal Adviser, Co-Adviser, Joint Global Coordinators, Joint Bookrunners, Managing Underwriter and Joint Underwriters named in this Prospectus have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional and selected investors outside Malaysia in connection with our IPO. No action has been taken to permit a public offering of our Shares in any jurisdiction other than Malaysia based on this Prospectus. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase Shares offered under our IPO in any jurisdiction or in any circumstances in which an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares offered under our IPO in certain jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

This Prospectus is published solely in connection with our IPO. Our Shares being offered in our IPO are offered solely on the information contained and the representations made in this Prospectus. Our Board, Promoters, Offeror, Principal Adviser, Co-Adviser, Joint Global Coordinators, Joint Bookrunners, Managing Underwriter and Joint Underwriters have not authorised anyone to provide any information or to make representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having being authorised by our Board, Promoters, Offeror, Principal Adviser, Co-Adviser, Joint Global Coordinators, Joint Bookrunners, Managing Underwriter and Joint Underwriters or any of their respective directors or any other persons involved in our IPO.

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

Our Shares have not been and will not be registered under the US Securities Act (as defined herein), and subject to certain exemptions, may not be offered, sold, pledged or transferred within or into the United States ("US"), except pursuant to an exemption under the US Securities Act. Our Shares are being offered and sold to investors outside the US in offshore transactions in reliance upon Regulation S under the US Securities Act.

Our Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the IPO or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the US.

The acceptances of applications for our Shares is conditional upon permission being granted by Bursa Securities for the quotation of the entire enlarged issued and paid-up share capital of our Company on the Main Market of Bursa Securities. Accordingly, all monies paid in respect of all applications will be returned in full without interest to the applicants if the aforesaid permission is not granted within 6 weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC), provided that our Company is notified by Bursa Securities within the aforesaid timeframe. If such monies are not refunded in full within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from the Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus (as defined herein) and the copy of this Prospectus registered with the SC are the same.

You may also obtain a copy of the Electronic Prospectus from the website of RHB Bank Berhad at http://www.rhb.com.my, the website of CIMB Investment Bank Berhad at http://www.eipocimb.com, the website of Malayan Banking Berhad at www.maybank2u.com.my, the website of CIMB Bank Berhad at http://www.cimbclicks.com.my, the website of Public Bank Berhad at http://www.pbebank.com and the website of Affin Bank Berhad at http://www.affinOnline.com.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of an Electronic Prospectus, you should immediately request from us, the Principal Adviser, Co-Adviser or issuing house, a paper printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the Electronic Prospectus and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the third party internet sites, you acknowledge and agree that:

(i) we and our Principal Adviser and Co-Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;

(ii) we and our Principal Adviser and Co-Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Principal Adviser and Co-Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such Third Party Internet Sites; and

(iii) any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser and Co-Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

(i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and

(ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities is set out below:

EVENT	TENTATIVE DATE / TIME
Opening of the Institutional Offering	23 January 2013
Opening of the Retail Offering	23 January 2013 at 10.00 a.m.
Closing of the Retail Offering	4 February 2013 at 5.00 p.m.
Closing of the Institutional Offering	6 February 2013
Price Determination Date	6 February 2013
Balloting of the Public Issue Shares offered under the Retail Offering	6 February 2013
Allotment/Transfer of the Public Issue Shares/Offer Shares to successful applicants	20 February 2013
Listing on the Main Market of Bursa Securities	22 February 2013

Applications for the Public Issue Shares under the Retail Offering will open and close at the time and dates stated above or such other date or dates as our Board, Principal Adviser, Co-Adviser, Joint Global Coordinators and Joint Bookrunners in their absolute discretion may decide. The Institutional Offering will open and close on the dates stated above or such other date or dates as our Board, the Offeror, Principal Adviser, Co-Adviser, Joint Global Coordinators and Joint Bookrunners in their absolute discretion may decide.

In the event that the closing date and/or time of either the Institutional Offering or the Retail Offering is extended, the Price Determination Date and the dates for the balloting of applications for the Public Issue Shares offered under the Retail Offering, allotment/transfer of the Public Issue Shares/Offer Shares to successful applicants and our Listing may be extended accordingly. Any extension will be announced in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

All terms used are defined under "Presentation of Financial and Other Information" and "Definitions" commencing on pages vi and viii respectively.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "our Company" or "TIH" in this Prospectus are to Tune Ins Holdings Berhad, while references to "our Group" or "TIH Group" are to our Company and our subsidiary companies. References to "we", "us", "our" and "ourselves" are to our Company or our Group or any member of our Group, as the context requires. References to "Offeror" are to Tune Money Sdn Bhd.

Certain abbreviations, acronyms and technical terms used are defined in the "Definitions" section of this Prospectus. Words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include companies and corporations.

Unless otherwise indicated, the information in this Prospectus assumes that the Over-Allotment Option (as defined herein) is not exercised.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any enactment in this Prospectus shall be a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the industries in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus; provided that where no source is stated, it can be assumed that the information originates from us.

In particular, certain information in this Prospectus is extracted or derived from the report prepared by Strategic Airport Planning Ltd and Milliman Limited, the independent market researchers. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industries in which we operate. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data, hence accordingly, you should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements, which include all statements other than those of historical facts including among others, those regarding our Group's financial position, business strategies, plans and objectives of our Group for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our Group's control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. As such, we cannot assure you that the forward-looking statements in this Prospectus will be realised.

Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group operates. Additional factors that could cause our Group's actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 4 - "Risk Factors", Section 11 – "Financial Information" and Section 12 - "Pro Forma Financial Information" of this Prospectus.

These forward-looking statements are based on information available to us as at the date of this Prospectus. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any changes in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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DEFINITIONS

Unless otherwise defined or the context otherwise requires, the following definitions shall apply throughout this Prospectus:

9M	:	Nine months ended 30 September
AA Distribution Agreement(s)	:	The distribution agreement(s) signed between our Company and AirAsia, collectively or individually as the context requires
AA Lifestyle Protection Plan	:	The lifestyle protection product currently branded as "AirAsia INSURE Lifestyle Protection Plan" which is offered to customers of AirAsia in Malaysia, Thailand and Indonesia
Act	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
ADA	:	Authorised Depository Agent
AirAsia	:	AirAsia Berhad and its affiliates, namely PT Indonesia AirAsia, Thai AirAsia Co. Ltd, AirAsia X Berhad, AirAsia Inc and AirAsia Japan Co., Ltd, collectively or individually as the context requires
AirAsia Expedia	:	AAE Travel Pte. Ltd., a joint venture between AirAsia Berhad and Expedia Inc.
Application Form(s)	:	The printed application form(s) for the application of our IPO Shares accompanying this Prospectus
ATM(s)	:	Automated Teller Machine(s)
AUD or Australian Dollar	:	Australian Dollar, the lawful currency of Australia
Authorised Financial Institution	:	The authorised financial institution(s) participating in the Internet Share Application with respect to payments for the Public Issue
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of TIH
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
ByLaws	:	Bylaws governing the Employees' Share Option Scheme
CAGR	:	Compound annual growth rate
Capital OCA	:	Capital OCA Berhad, a wholly-owned subsidiary of TIMB
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CDS Account	:	An account established by Bursa Depository for a depositor for the recording of deposits or withdrawals of securities and for dealings in such securities by the depositor

Central Depositories Act	:	The Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
CIMB	:	CIMB Investment Bank Berhad
CLSA	:	CLSA Singapore Pte Ltd
CMSA	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or electronic storage medium, including but not limited to, CD-ROMs and thumb drives
Employees' Share Option Scheme	:	Employees' share option scheme with respect to the grant of options to eligible employees and Directors of our Group
EPS	:	Earnings per share
Equity Guidelines	:	Equity Guidelines issued by the SC, as amended or expanded from time to time
ESA or Electronic Share Application	:	Application for our Public Issue Shares through a Participating Financial Institution's ATM
EY or Reporting Accountants	:	Ernst & Young
Final Retail Price	:	The final price per IPO Share equivalent to the Institutional Price, subject that it will not exceed the Retail Price
FY	:	Financial year ended/ending 31 December
GDP	:	Gross domestic product
IMR Report	:	Independent market research report prepared by the Independent Market Researchers as included in Section 7 of this Prospectus
Independent Market Researchers	:	S-A-P and Milliman
Indonesian Rupiah	:	Indonesian Rupiah, the lawful currency of Indonesia
Institutional Offering	:	Offering by our Company and the Offeror of up to 102,028,100 Public Issue Shares and up to 66,850,000 Offer Shares at the Institutional Price, subject to clawback and reallocation and the Over-Allotment Option, to the following: (i) Malaysian institutional and selected investors including Bumiputera investors approved by MOF; and (ii) foreign institutional and selected investors outside the United States in reliance on Regulation S under the US Securities Act
Institutional Price	:	Price per IPO Share to be paid by investors pursuant to the Institutional Offering which will be determined on the Price Determination Date by way of bookbuilding

Insurance Act	:	Insurance Act, 1996, as amended from time to time and any re-enactment thereof
Internet Participating Financial Institution(s)	:	The participating financial institution(s) for Internet Share Application as listed in Section 16 of this Prospectus
Internet Share Application	:	Application for the Public Issue Shares through an Internet Participating Financial Institution
IP	:	Intellectual Property
IPO	:	Initial public offering comprising the Institutional Offering and the Retail Offering
IPO Share(s)	:	The Public Issue Shares and the Offer Shares, collectively
ISO	:	International Organisation for Standardisation
Issuing House	:	Malaysian Issuing House Sdn Bhd
Joint Bookrunners	:	RHB Investment Bank, KIBB, CLSA, CIMB and Standard Chartered, collectively
Joint Global Coordinators	:	CLSA and CIMB, collectively
Joint Underwriters	:	RHB Investment Bank, KIBB and CIMB, collectively
KIBB or Co-Adviser	:	Kenanga Investment Bank Berhad
Labuan FSA	:	Labuan Financial Services Authority of Malaysia
LFSSA	:	Labuan Financial Services and Securities Act, 2010, as amended from time to time and any re-enactment thereof
Listing	:	The admission to the Official List of Bursa Securities and the listing of and quotation for TIH's entire enlarged issued and paid-up share capital of RM75,175,998.00 comprising 751,759,980 Shares on the Main Market of Bursa Securities
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as amended or expanded from time to time
LPD	:	31 December 2012, being the latest practicable date prior to the issuance of this Prospectus
Market Day	:	Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
MFRS	:	Malaysian Financial Reporting Standards
Milliman	:	Milliman Limited, the independent insurance consultant
MOF	:	The Ministry of Finance of Malaysia
NA	:	Net assets
NAV	:	Net assets value

NBV	:	Net book value
N/A	:	Not applicable
Offer for Sale	:	The offer for sale of the Offer Shares by the Offeror at the Institutional Price under the Institutional Offering
Offer Share(s)	:	Up to 66,850,000 Shares to be offered for sale by the Offeror pursuant to the Offer for Sale
Official List	:	A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed
online insurance business	:	Our business where our insurance products (comprising primarily travel insurance but also includes other insurance products as set out in Section 6.4.3 of this Prospectus) are offered through the websites of our online partners
other general insurance business	:	Our business where our other general insurance products (more particularly set out in Section 6.4.4 of this Prospectus) are offered through our 83.26%-owned subsidiary, TIMB and its agents
Over-Allotment Option	:	Over-allotment option granted by the Offeror to the Stabilising Manager on behalf of the Joint Bookrunners as detailed in Section 3.2.4 of this Prospectus
Participating Financial Institution(s)	:	The participating financial institution(s) for the ESA as listed in Section 16 of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Pink Form Shares	:	Up to 3,758,800 Public Issue Shares representing approximately 0.50% of the enlarged and issued share capital of TIH which are reserved for application by the eligible Directors, employees and persons who have contributed to the success of our Group
PE Multiple	:	Price-earnings multiple
Price Determination Date	:	Date on which the Institutional Price and the Final Retail Price will be determined
Promoter(s)	:	TMSB, Tune Group Sdn Bhd, Tan Sri Dr Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun, Dato' Seri Kalimullah Bin Masheerul Hassan and Lim Kian Onn, collectively
Prospectus	:	This prospectus dated 23 January 2013 in relation to our IPO
Public Issue	:	Public issue of up to 143,374,900 Public Issue Shares by our Company comprising the following: (i) the Institutional Offering of up to 102,028,100 Public Issue Shares at the Institutional Price; and (ii) the Retail Offering of up to 41,346,800 Public Issue Shares at the Retail Price

Public Issue Share(s)	:	The new TIH Shares to be issued pursuant to the Public Issue
Retail Offering	:	Offering of up to 41,346,800 Public Issue Shares, subject to clawback and reallocation, to the Malaysian citizens, companies, co-operatives, societies and institutions and eligible Directors, employees and persons who have contributed to the success of our Group at the Retail Price, payable in full upon application and subject to a refund of the difference in the event that the Final Retail Price is less than the Retail Price
Retail Price	:	Initial price of RM1.55 per Public Issue Share to be fully paid by the applicants pursuant to the Retail Offering subject to the adjustment as detailed in Section 3.5.1 of this Prospectus
RHB Investment Bank or Principal Adviser or Managing Underwriter or Stabilising Manager	:	RHB Investment Bank Berhad
Rules of Bursa Depository	:	The rules issued by Bursa Depository
RGA Global		RGA Global Reinsurance Company Ltd (Labuan Branch)
RM or Malaysian Ringgit and sen	:	Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia
S-A-P	:	Strategic Airport Planning Ltd, the independent aviation consultant
SARS	:	Severe Acute Respiratory Syndrome
SC	:	Securities Commission Malaysia
SGD or Singapore Dollar	:	Singapore Dollar, the lawful currency of Singapore
Share Lending Agreement	:	The share lending agreement between the Stabilising Manager and the Offeror for the Stabilising Manager to borrow up to 31,533,700 TIH Shares from the Offeror
Sq. Ft.	:	Square feet
Sq. m	:	Square metre
Standard Chartered	:	Standard Chartered Securities (Singapore) Pte. Limited
Thai Baht	:	Thai baht, the lawful currency of Thailand
TIH	:	Tune Ins Holdings Berhad (948454-K)
TIH Group	:	TIH and its subsidiary companies (including TIMB from its date of acquisition on 23 May 2012)
TIH Share(s) or Share(s)	:	Ordinary share(s) of RM0.10 each in TIH
TIL	:	Tune Insurance (Labuan) Ltd, our 80.0%-owned subsidiary
TIPG	:	Our key online insurance software, Tune Insurance Policy Gateway

TIMB	:	Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad), our 83.26%-owned subsidiary
TIMB Acquisition	:	The acquisition of 83.26% of TIMB
TIMB Group	:	TIMB and its subsidiary, Capital OCA
TMGR	:	Tune Money GenRe Ltd, our wholly-owned subsidiary
TMLR	:	Tune Money Life Re Ltd, our wholly-owned subsidiary
TMSB or Offeror	:	Tune Money Sdn Bhd
Travel Protection Plan	:	The travel insurance product currently branded as "AirAsia INSURE Travel Protection Plan" which is offered to the customers of AirAsia and underwritten by our local insurance partners, and in Malaysia by TIMB, our 83.26%-owned subsidiary commencing September 2012
Tune Companies	:	Tune group of companies including Tune Hotels, collectively or individually as the context requires
Tune Hotels BCA	:	The business collaboration and outsourcing agreement dated 2 November 2011 between TMSB and Tune Hotels, which was amended and novated in our favour by TMSB on 1 September 2012
Tune Hotels	:	Tune Hotels Regional Services Sdn Bhd
Tune Hotels Lifestyle Protection Plan	:	The lifestyle protection product which is offered to customers of Tune Hotels in Malaysia
Tune Hotels Personal Accident Plan	:	The personal accident product which is offered to customers of Tune Hotels in Malaysia and Indonesia
Underwriting Agreement	:	The underwriting agreement dated 9 January 2013 made between the Company and the Joint Underwriters for the underwriting of up to 41,346,800 Public Issue Shares
US or United States	:	United States of America
USD or US Dollar	:	United States Dollar, the lawful currency of the United States
US Securities Act	:	United States Securities Act of 1933, as amended

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Technical References

cedant	:	when an insurer transfers its risk by paying certain amount of premium to reinsurer, the insurer is the cedant
cede	:	transfer from insurer to reinsurer (of risk or premium)
countries and territories	:	countries and territories which our Travel Protection Plan are available to customers of AirAsia, which includes China, Hong Kong and Macau
density rates	:	with reference to insurance, means gross non-life premium per capita
earned seats	:	seats comprising seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel
facultative reinsurance	:	the reinsurance of all or a portion of the insurance provided by a single policy. Each policy reinsured is separately negotiated. Facultative reinsurance is normally purchased by insurers where individual risks are not covered by their reinsurance treaties, for amounts in excess of the dollar limits of their reinsurance treaties or for unusual risks. Although underwriting expenses for facultative reinsurance are typically higher than expenses for reinsurance treaties, the underwriter can separately evaluate each risk reinsured and price the policy more accurately
insurer	:	the company selling/underwriting the insurance protection
insured/policy holder	:	the person/entity buying and covered by the insurance policy or the person/entity covered by the insurance policy
non-proportional (excess of loss) reinsurance	:	reinsurance that indemnifies the insured against all or a specified portion of individual or aggregated loss amounts exceeding the amount set forth in the reinsurance treaty
penetration rates	:	with reference to insurance, means the percentage of gross total non-life premium over GDP
policies issued or policies reinsured	:	with reference to travel insurance or our Travel Protection Plan, means certificates issued under our master agreement, which could be for one or more sectors depending on how many sectors are booked at the point of purchase. Therefore, "policies issued" or "policies reinsured" does not equate to "earned seats" flown. A "sector" means a single journey encompassing a single point of departure and a single point of arrival
proportional reinsurance	:	reinsurance whereby the reinsurer shares risks and losses with the ceding company in the same proportion as it shares premiums and policy amounts
quota-share	:	a form of proportional reinsurance in which the reinsurer assumes an agreed percentage of each insurance being reinsured
reinsurance	:	a financial transaction by which risk is transferred (ceded) from an insurer (cedant) to a reinsurer in exchange for a reinsurance premium
reinsurance treaty	:	a general reinsurance agreement between the cedant and the reinsurer containing terms applicable to the reinsurance of some class or classes of business, in contrast to a reinsurance agreement covering an individual risk

reinsurer	:	the company which accepts a portion of the risk of an insurer in exchange for a share of the insurance premium
retrocession	:	the process where a reinsurer purchases reinsurance cover
retrocessionaires	:	reinsurers who accept risk from other reinsurance companies
revenue-passenger-kilometre	:	a measure of traffic for an airline calculated by multiplying the number of revenue-paying passengers aboard the airline by the distance travelled
Take-up Rate	:	percentage of "earned seats" covered by our travel insurance for sectors where our travel insurance was offered over the total number of "earned seats" for sectors where our travel insurance was offered
underwriting	:	the process an insurance or reinsurance company goes through to determine the risks they are willing to accept and the price the insured should pay for it

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TABLE OF CONTENTS

TABLE OF CONTENTS *(Cont'd)*

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name/Designation	Address	Occupation	Nationality
Razman Hafidz Bin Abu Zarim *Chairman, Independent Non-Executive Director*	8C-3A-1 Sri Murni Condominium 8 Lorong Kota 4 50480 Kuala Lumpur	Company Director	Malaysian
Tan Sri Dr Anthony Francis Fernandes *Non-Independent Non-Executive Director*	37-2, Bangsar Heights Jalan Kaloi Off Jalan Kurau 59100 Kuala Lumpur	Company Director	Malaysian
Tan Hong Kheng *Non-Independent Non-Executive Director*	B-5-2, Kiaramas Sutera No 7 Jalan Desa Kiara 50480 Kuala Lumpur	Banker	Malaysian
Ng Soon Lai @ Ng Siek Chuan *Independent Non-Executive Director*	20, Jalan Setia Murni 6 Damansara Heights 50490 Kuala Lumpur	Company Director	Malaysian

AUDIT AND RISK COMMITTEE

Name	Designation	Directorship
Ng Soon Lai @ Ng Siek Chuan	Chairman	Independent Non-Executive Director
Razman Hafidz Bin Abu Zarim	Member	Chairman, Independent Non-Executive Director
Tan Hong Kheng	Member	Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Ng Soon Lai @ Ng Siek Chuan	Chairman	Independent Non-Executive Director
Razman Hafidz Bin Abu Zarim	Member	Chairman, Independent Non-Executive Director
Tan Sri Dr Anthony Francis Fernandes	Member	Non-Independent Non-Executive Director

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1. CORPORATE DIRECTORY *(Cont'd)*

REMUNERATION COMMITTEE

Name	**Designation**	**Directorship**
Ng Soon Lai @ Ng Siek Chuan	Chairman	Independent Non-Executive Director
Razman Hafidz Bin Abu Zarim	Member	Chairman, Independent Non-Executive Director
Tan Sri Dr Anthony Francis Fernandes	Member	Non-Independent Non-Executive Director

COMPANY SECRETARY : Jasmindar Kaur A/P Sarban Singh (MAICSA 7002687)
18, Jalan TK 1/6, Taman Kinrara, 7th Mile
Jalan Puchong, 47180 Puchong
Selangor Darul Ehsan
Tel. No.: (603) 7491 4318
Fax. No.: (603) 7887 2318

REGISTERED OFFICE : B-13-15, Level 13, Menara Prima
Tower B, Jalan PJU 1/39
Dataran Prima, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel. No.: (603) 7491 4318
Fax. No.: (603) 7887 2318

HEAD OFFICE : No. 38, Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel. No.: (603) 2070 2828
Fax. No.: (603) 2072 4150
Email: asktune@tuneinsurance.com
Website: www.tuneinsurance.com

AUDITORS AND REPORTING ACCOUNTANTS : Ernst & Young (AF 0039)
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Tel. No.: (603) 7495 8000
Fax. No.: (603) 2095 9076 / 9078

SOLICITORS : *As Malaysian Counsel to the Company*

Foong & Partners
Suite 21.08, Level 21, Plaza 138
138 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel. No.: (603) 2713 2822
Fax. No.: (603) 2713 1822

1. CORPORATE DIRECTORY *(Cont'd)*

As International Counsel to the Company as to certain matters of United States federal securities law and English law

WongPartnership LLP
One George Street #20-01
Singapore 049145
Tel. No.: (65) 6416 8000
Fax. No.: (65) 6532 5711

As Malaysian Counsel to the Joint Global Coordinators, Joint Bookrunners and Joint Underwriters

Zaid Ibrahim & Co
Level 19, Menara Milenium
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Tel. No.: (603) 2087 9999
Fax. No.: (603) 2094 4888 / 4666

As International Counsel to the Joint Global Coordinators, Joint Bookrunners and Joint Underwriters as to certain matters of United States federal securities law

Baker & McKenzie.Wong & Leow
8 Marina Boulevard #05-01
Marina Bay Financial Centre Tower 1
Singapore 018981
Tel. No.: (65) 6338 1888
Fax. No.: (65) 6337 5100

INDEPENDENT MARKET RESEARCHERS : Strategic Airport Planning Ltd
1324 Jones St, Suite 6
San Francisco, CA 94109
United States of America
Tel. No.: 1 (415) 577 2127
Fax. No.: 1 (978) 246 6031

Milliman Limited
Unit 3901-02 AIA Tower
183 Electric Road, North Point
Hong Kong
Tel. No.: (852) 2147 9678
Fax. No.: (852) 2147 9879

PRINCIPAL BANKERS : CIMB Bank Berhad
10th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel: (603) 2084 8888
Fax: (603) 2084 8899

1. CORPORATE DIRECTORY *(Cont'd)*

		RHB Bank Berhad Level 10, Tower One, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Malaysia Tel: (603) 9287 3888 Fax: (603) 9287 2233 / 3355
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel: (603) 7841 8000 Fax: (603) 7841 8150
SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel: (603) 7841 8000 Fax: (603) 7841 8151/8152
PRINCIPAL ADVISER, MANAGING UNDERWRITER AND JOINT BOOKRUNNER	:	RHB Investment Bank Berhad Level 10, Tower One, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Malaysia Tel: (603) 9287 3888 Fax: (603) 9287 2233 / 3355
CO-ADVISER, JOINT UNDERWRITER AND JOINT BOOKRUNNER	:	Kenanga Investment Bank Berhad 801, 8th Floor Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel: (603) 2164 9080 Fax: (603) 2164 6690
JOINT GLOBAL COORDINATOR AND JOINT BOOKRUNNER	:	CLSA Singapore Pte Ltd 80 Raffles Place #18-01 UOB Plaza 1 Singapore 048624 Tel: (65) 6416 7888 Fax: (65) 6533 8922

1. CORPORATE DIRECTORY *(Cont'd)*

JOINT GLOBAL COORDINATOR, JOINT UNDERWRITER AND JOINT BOOKRUNNER	:	CIMB Investment Bank Berhad 10th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia Tel: (603) 2084 8888 Fax: (603) 2084 8899
JOINT BOOKRUNNER	:	Standard Chartered Securities (Singapore) Pte. Limited 8 Marina Boulevard Level 19, Marina Bay Financial Centre Tower 1 Singapore 018981 Tel: (65) 6596 8888 Fax: (65) 6634 9570
LISTING SOUGHT	:	Main Market of Bursa Securities

2. SUMMARY INFORMATION

THIS INFORMATION SUMMARY SETS OUT THE SALIENT INFORMATION CONTAINED IN THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THIS INFORMATION SUMMARY TOGETHER WITH THE FULL TEXT OF THIS PROSPECTUS BEFORE YOU DECIDE WHETHER TO INVEST IN OUR SHARES.

2.1 OVERVIEW

2.1.1 Our History and Business

We were incorporated under the Act on 14 June 2011 as a private limited company under the name of Tune Ins Holdings Sdn Bhd, and was subsequently converted to a public company on 17 August 2012 and assumed our present name to facilitate our listing on the Main Market of Bursa Securities.

We are an insurance product manager for our online partners (currently AirAsia, Tune Hotels and AirAsia Expedia) where we, amongst others, design and manage insurance products that will be sold to the customers of our online insurance partners. Our subsidiaries are insurance providers or underwriters, directly and via reinsurance, of general and life insurance products across the Asia-Pacific region.

We operate two core businesses, an online insurance business through which insurance products are sold to customers as part of their online booking process with our online partners, and an other general insurance business, currently only in Malaysia, through our 83.26%-owned subsidiary, TIMB.

Our online insurance business comprises primarily our Travel Protection Plan but also includes other online insurance products as set out in Section 6.4.3 of the Prospectus, such as the AA Lifestyle Protection Plan and the Tune Hotels Lifestyle Protection Plan. We facilitated the issuance of approximately 5.6 million Travel Protection Plan policies to AirAsia customers in FY2011 and 6.0 million policies in FY2012 (4.3 million policies in 9M2012), primarily as reinsurers but also as underwriters, commencing in September 2012 through TIMB, which underwrote approximately 1.1 million of these policies. Our online insurance business is now underpinned by exclusive long-term agreements with AirAsia. In addition to our relationship with AirAsia, we have entered into a contractual arrangement with Tune Hotels and are considering entering into similar long-term arrangements with other partners within the Tune Companies.

As the exclusive insurance product manager for AirAsia and Tune Hotels, we design and manage both general and life insurance products for their customers pursuant to 10-year agreements with AirAsia Berhad, AirAsia Japan Co., Ltd and Tune Hotels (expiring in 2022), 15-year agreements with certain other affiliates of AirAsia Berhad (namely PT Indonesia AirAsia, AirAsia X Berhad and AirAsia Inc, expiring in 2027) and a 5-year agreement with Thai AirAsia Co. Ltd (expiring in 2017). These arrangements provide us with the opportunity to market to AirAsia's and Tune Hotels' substantial pool of customers, in addition to our own extensive database. We utilise the distribution channels of both AirAsia and the Tune Hotels, primarily their respective online booking websites, to offer these products to their customers as part of their booking process. As part of our role as the insurance product manager, we arrange for local insurance partners in various countries and territories across the Asia-Pacific region that AirAsia (currently in 14 countries and territories, including Malaysia) and Tune Hotels (currently in Malaysia and Indonesia) operate in to underwrite these products. In accordance with these arrangements with local insurance partners, we, through our subsidiaries, reinsure a portion of the risk associated with the writing of each policy. Where necessary, in order to optimise our risk-adjusted returns and to manage our own underwriting exposure, we have external reinsurance arrangements with highly-rated global reinsurance companies, as well as with national reinsurers.

We believe that our exclusive relationship with AirAsia places us in a unique position to benefit from the growth in travel within the Asia-Pacific region and particularly the increasing number of AirAsia's customers.

2. SUMMARY INFORMATION *(Cont'd)*

TIL was incorporated on 27 March 2009 and is licensed to operate as an offshore captive insurer in Labuan. TIL was established as a 80:20 joint venture between TMSB and Multi-Purpose Capital Holdings Berhad with the primary purpose of reinsuring general insurance underwritten by Multi-Purpose Insurans Bhd, a wholly-owned subsidiary of Multi-Purpose Capital Holdings Berhad. Multi-Purpose Insurans Bhd is an insurance provider that, through a contractual relationship with AirAsia, negotiated agreements with local insurance partners outside Malaysia on AirAsia's behalf with respect to AirAsia's travel insurance, and underwrote such policies in Malaysia prior to 3 September 2012. Multi-Purpose Insurans Bhd also provided certain management functions to us in FY2009 and FY2010.

TMGR and TMLR were incorporated on 10 February 2011 and 6 April 2011 respectively as wholly-owned subsidiaries of TMSB. On 26 May 2011, TMGR obtained a licence to carry on Labuan general reinsurance business in, from or through Labuan and on 15 June 2011, TMLR was issued a licence to carry on Labuan life reinsurance business in, from or through Labuan. Our Company was subsequently established in June 2011 and we acquired TIL, TMGR and TMLR from TMSB in October 2011 to consolidate our insurance business. With the acquisitions and the introduction of our new management at the end of 2010 and the beginning of 2011, we took over many of the management functions previously provided by Multi-Purpose Insurans Bhd to us.

In May 2012, we acquired an established Malaysian general insurance business, TIMB, which has approximately 1,000 agents and 15 branches throughout Malaysia as at the LPD and through which we carry out our other general insurance business. This acquisition enables us (through TIMB) to, in addition to our role as an insurance product manager for our online partners, undertake the role as an insurance provider and underwrite general insurance policies directly in Malaysia, as well as to offer a broader range of insurance products. Following our acquisition of TIMB, AirAsia terminated their agreement with Multi-Purpose Insurans Bhd, and the termination took effect on 3 September 2012.

Pursuant to the AA Distribution Agreements, we are the exclusive insurance product manager for AirAsia and effective 4 September 2012, our subsidiary, TIMB, underwrites the Travel Protection Plan directly in Malaysia.

We currently conduct the underwriting of our general and life reinsurance business across the Asia-Pacific region through TMGR and TMLR. We have also channelled our business previously conducted through TIL to TMGR.

We are actively pursuing acquisition targets in other Southeast Asia markets, specifically Indonesia and Thailand, to enable us to own general insurers in these markets and through which we can directly underwrite our online insurance business and offer products through other channels to these fast growing and sizeable markets whose insurance needs are under-served.

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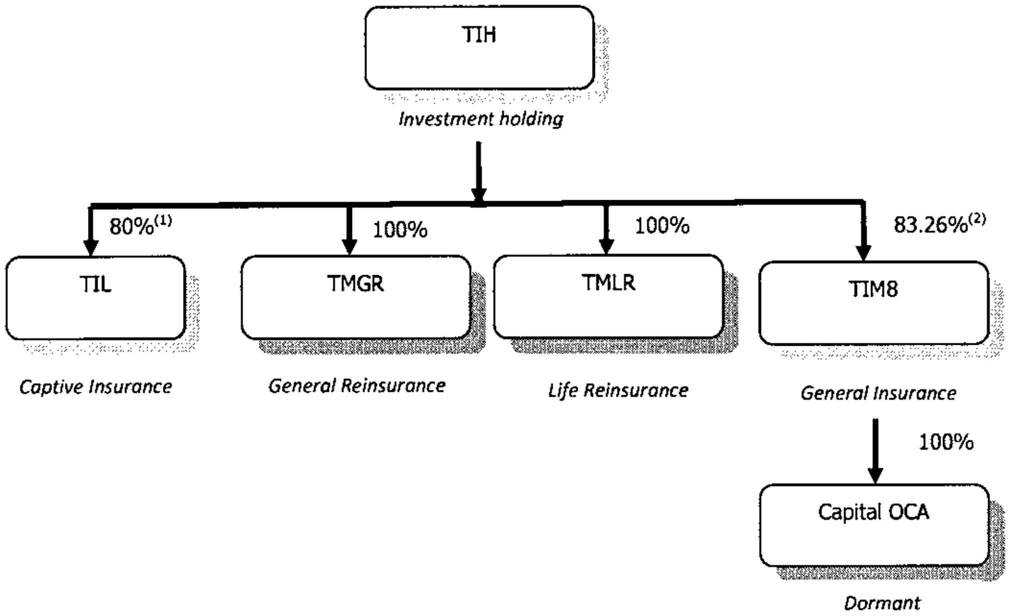
Our current Group structure is as follows:



Notes:

(1) The remaining 20% of the equity interest in TIL is held by Multi-Purpose Capital Holdings Berhad
(2) The remaining 16.74% of the equity interest in TIMB is held by the minority shareholders of TIMB

Please refer to Sections 5 and 6 of this Prospectus respectively for further information on our Group and our business.

2.1.2 Our Key Competitive Strengths

We believe that the following are our key competitive strengths:

(a) Exclusive relationship with AirAsia across the region;

(b) Proven business model that can be replicated for other products and/or in new markets in the region;

(c) Ability to tap extensive electronic databases to sell insurance products online;

(d) Benefit from attractive Southeast Asia general insurance market fundamentals; and

(e) Experienced management team and strong shareholder support.

Please refer to Section 6.2 of this Prospectus for further information on our key competitive strengths.

2.1.3 Our Strategy and Future Plans

We aim to strengthen our position as an underwriter of general and life insurance products across the Asia-Pacific region via the following strategies:

(a) Leverage on the growth of AirAsia's businesses;

(b) Replicate our business model with new partners, whether travel partners or otherwise, and increase our product offerings to customers of our existing online partners;

(c) Improve Take-up Rates in our online insurance business to increase revenues;

(d) Integrate TIMB to capture additional revenue and cost synergies, and diversify product offerings; and

(e) Enhance revenue streams through appropriate acquisitions in Southeast Asia.

Please refer to Section 6.3 of this Prospectus for further information on our strategy and future plans.

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2. SUMMARY INFORMATION *(Cont'd)*

2.2 FINANCIAL HIGHLIGHTS

2.2.1 Consolidated Statements of Comprehensive Income and Financial Position of our Group for FY2009, FY2010, FY2011, 9M2011 and 9M2012

The financial information of our Group as set out below are based on the financial statements for the relevant financial years/period covered in the Accountants' Report and which have been audited (for the periods as indicated below) by the Reporting Accountants for the purposes of the Listing.

Consolidated Statements of Comprehensive Income

TIH Group	Audited 2009 RM'000	Audited 2010 RM'000	Audited 2011 RM'000	Unaudited 9M2011 RM'000	Audited 9M2012 RM'000
Operating revenue	30,049	43,523	55,870	40,149	136,155
Gross earned premiums	30,049	43,523	55,493	40,149	129,032
Premiums ceded to reinsurers	(524)	(803)	(1,063)	(759)	(25,586)
Net earned premiums	**29,525**	**42,720**	**54,430**	**39,390**	**103,446**
Investment income	-	-	377	-	7,123
Realised gains and losses	-	-	-	-	3,838
Fees and commission income	-	-	-	-	3,632
Other operating income	-	-	26	-	103
Other revenue	**14,696**	**-**	**403**	**-**	**14,696**
Gross claims paid	(127)	(1,222)	(1,123)	(623)	81,730
Claims ceded to reinsurers	-	-	-	-	48,567
Gross change to contract liabilities	(925)	(302)	(819)	(103)	(22,416)
Change in contract liabilities ceded to reinsurers	-	-	-	-	20,203
Net claims	**(1,052)**	**(1,524)**	**(1,942)**	**(726)**	**(35,376)**
Fee and commission expenses	(11,602)	(14,473)	(17,292)	(12,794)	(23,546)
Management expenses	(178)	(202)	(1,404)	(135)	(16,699)
Other operating expenses	-	(99)	-	-	(2,881)
Finance cost	-	-	-	-	(7,157)
Other expenses	**(11,240)**	**(14,774)**	**(18,696)**	**(12,929)**	**(50,283)**
Profit before taxation	**17,233**	**26,422**	**34,195**	**25,735**	**32,483**
Taxation	(20)	(20)	(20)	(20)	(4,616)
Net profit for the period/year	**17,213**	**26,402**	**34,175**	**25,715**	**27,867**
Net other comprehensive income for the period	-	-	-	-	(943)
Total comprehensive income for the period/year	**17,213**	**26,402**	**34,175**	**25,175**	**26,294**
Total comprehensive income attributable to:					
Owners of the parent	13,770	21,122	27,255	20,572	22,668
Non-controlling interests	3,443	5,280	6,920	5,143	4,256
	17,213	**26,402**	**34,175**	**25,715**	**26,924**
Earnings per share attributable to owners of the parent (RM per share)					
Basic	N/A	N/A	6.8	35.9	1.6

Consolidated Statements of Financial Position

TIH Group	Audited 2009 RM'000	Audited 2010 RM'000	Audited 2011 RM'000	Unaudited 9M2011 RM'000	Audited 9M2012 RM'000
Assets					
Property and equipment	-	4	3	4	10,052
Investment property	-	-	-	-	2,401
Intangible assets	-	-	-	-	143
Goodwill	-	-	-	-	29,818
Investments	-	-	24,715	-	482,318
Reinsurance assets	154	228	223	247	184,259
Insurance receivables	17,503	26,806	16,771	13,648	49,056
Other receivables	-	-	63	8,765	34,846
Cash and bank balances	677	456	8,555	5,342	19,565
Total assets	**18,334**	**27,494**	**50,330**	**28,006**	**812,458**
Equity					
Share capital	-	-	14,238	-	14,238
Merger (deficit)/reserve	400	400	(13,838)	400	(13,838)
Available-for-sale reserves	-	-	-	-	(785)
Retained earnings	8,650	12,843	19,698	13,016	43,151
Equity attributable to owners of the parent	9,050	13,243	20,098	13,416	42,766
Non-controlling interests	2,263	3,311	1,631	3,354	30,291
Total equity	**11,313**	**16,554**	**21,729**	**16,770**	**73,057**
Liabilities					
Insurance contract liabilities	6,552	9,465	10,481	10,343	486,009
Deferred tax liabilities	-	-	-	-	608
Provision for taxation	20	20	20	20	-
Borrowings	-	-	-	-	130,925
Insurance payables	358	1,397	156	777	47,977
Retirement benefits	-	-	-	-	1,392
Other payables	91	58	17,944	96	72,490
Total liabilities	**7,021**	**10,940**	**28,601**	**11,236**	**739,401**
Total equity and liabilities	**18,334**	**27,494**	**50,330**	**28,006**	**812,458**

2.2.2 Pro Forma Consolidated Statements of Comprehensive Income

The following table sets out our pro forma consolidated statements of comprehensive income for FY2009, FY2010, FY2011, 9M2011 and 9M2012, adjusted for TIMB as if it had been acquired on 27 March 2009, which have been prepared for illustrative purposes only and based on the assumption that our current Group structure has been in existence throughout the financial years/periods under review.

You should read these pro forma consolidated statements of comprehensive income in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Letter on Pro Forma Consolidated Financial Information as set out in Section 12.9 of this Prospectus and the Accountants' Report as set out in Section 13 of this Prospectus.

TIH Group	2009 RM'000	2010 RM'000	Pro forma 2011 RM'000	9M2011 RM'000	9M2012 RM'000
Operating revenue	268,923	300,789	319,331	221,178	249,901
Gross earned premiums	256,329	287,669	301,263	209,668	235,870
Premiums ceded to reinsurers	(117,911)	(122,287)	(90,408)	(69,068)	(73,772)
Net earned premiums	**138,418**	**165,382**	**210,855**	**140,600**	**162,098**
Investment income	12,594	13,120	18,068	11,510	14,031
Realised gains and losses	4,739	3,144	6,060	5,565	8,040
Fees and commission income	19,329	15,747	13,551	10,401	10,999
Other operating income	123	373	156	76	383
Other revenue	**36,785**	**32,384**	**37,835**	**27,552**	**33,453**
Gross claims paid	(226,205)	(130,796)	(138,293)	(109,160)	(123,766)
Claims ceded to reinsurers	141,960	47,533	55,849	48,485	58,492
Gross changes to contract liabilities	121,222	47,693	11,002	(21,410)	(49,431)
Change in contract liabilities ceded to reinsurers	(125,844)	(58,084)	(38,444)	(1,439)	23,306
Net claims	**(88,867)**	**(93,654)**	**(109,886)**	**(83,524)**	**(91,399)**
Fee and commission expenses	(36,528)	(38,304)	(43,302)	(32,022)	(34,291)
Management expenses	(24,046)	(23,431)	(24,186)	(19,341)	(27,422)
Other operating expenses	-	(99)	(2,150)	-	(2,881)
Finance costs	-	-	-	-	(7,157)
Other expenses	**(60,574)**	**(61,834)**	**(69,638)**	**(51,363)**	**(71,751)**
Profit before taxation	**25,762**	**42,278**	**69,166**	**33,265**	**32,401**
Taxation	(2,751)	(5,685)	(8,738)	(2,815)	(4,664)
Net profit for the period/year	**23,011**	**36,593**	**60,428**	**30,450**	**27,737**
Net other comprehensive income/(loss) for the period	7,373	3,108	438	(2,714)	(2,073)
Total comprehensive income for the period/year	**30,384**	**39,701**	**60,866**	**27,736**	**25,664**
Profit attributable to:					
Owners of the parent	18,597	29,607	49,113	24,514	21,097
Non-controlling interests	4,414	6,986	11,315	5,936	6,640
	23,011	**36,593**	**60,428**	**30,450**	**27,737**
Total comprehensive income attributable to:					
Owners of the parent	24,736	32,195	49,478	22,255	19,529
Non-controlling interests	5,648	7,506	11,388	5,481	6,135
	30,384	**39,701**	**60,866**	**27,736**	**25,664**

2.2.3 Pro Forma Consolidated Statements of Financial Position

The following table sets out our pro forma consolidated statements of financial position as at 9M2012, assuming that our Public Issue, Offer for Sale and utilisation of proceeds had been effected as at that date, for illustrative purposes only, and should be read in conjunction with the notes and assumptions included in the Reporting Accountants' Letter on Pro Forma Consolidated Financial Information as set out in Section 12.9 of this Prospectus.

2. SUMMARY INFORMATION *(Cont'd)*

TIH Group	Audited 30.09.12 RM'000	Pro forma I RM'000	Pro forma II RM'000	Pro forma III RM'000
Assets				
Property and equipment	10,052	10,052	10,052	10,052
Investment property	2,401	2,401	2,401	2,401
Intangible assets	143	143	143	143
Goodwill	29,818	29,818	29,818	29,818
Investments	482,318	482,318	482,318	482,318
Reinsurance assets	184,259	184,259	184,259	184,259
Insurance receivables	49,056	49,056	49,056	49,056
Other receivables	34,846	34,846	34,846	34,846
Cash and bank balances	19,565	19,565	19,565	98,871
Total assets	**812,458**	**812,458**	**812,458**	**891,764**
Equity				
Share capital	14,238	14,238	60,838	75,176
Share premium	-	-	-	199,493
Merger deficit	(13,838)	(13,838)	(13,838)	(13,838)
Available-for-sale reserves	(785)	(785)	(785)	(785)
Retained earnings	43,151	43,151	43,151	39,551
Equity attributable to owners of the parent	42,766	42,766	89,366	299,597
Non-controlling interests	30,291	30,291	30,291	30,291
Total equity	**73,057**	**73,057**	**119,657**	**329,888**
Liabilities				
Insurance contract liabilities	486,009	486,009	486,009	486,009
Deferred tax liabilities	608	608	608	608
Retirement benefits	1,392	1,392	1,392	1,392
Borrowings	130,925	130,925	130,925	-
Insurance payables	47,977	47,977	47,977	47,977
Other payables	25,890	25,890	25,890	25,890
Advances from holding company	46,600	46,600	-	-
Total liabilities	**739,401**	**739,401**	**692,801**	**561,876**
Total equity and liabilities	**812,458**	**812,458**	**812,458**	**891,764**
Number of ordinary shares in issue ('000 units)	14,238	142,385	608,385	751,760
Net assets (excluding non-controlling interests) per ordinary share (RM)	3.00	0.30	0.15	0.40
Net tangible assets (excluding non-controlling interests and goodwill) per ordinary share (RM)	0.91	0.09	0.10	0.36

2.3 DIVIDEND POLICY

The declaration of interim dividends and the recommendation of any final dividends are subject to the discretion of our Board and any final dividend proposed is subject to our shareholders' approval.

Our ability to pay future dividends to our shareholders is subject to various factors including but not limited to our Group's financial performance, cash flow requirements, availability of distributable reserves, contractual obligations and capital expenditure plans.

Our Company intends to adopt a policy of active capital management. As part of this policy, we target for a payout ratio of not less than 40% of our consolidated profit in each financial year beginning 1 January 2013, subject to any applicable law and provided that such distribution will not be detrimental to our Group's cash requirements.

Investors should note that this dividend policy merely describes our Company's present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

For further details on the risk factors relating to dividends, please refer to Section 4.3(vi) of this Prospectus.

2.4 SUMMARY OF OUR IPO

Size of our Institutional Offering : *Institutional Offering at the Institutional Price payable in full upon allocation and determined by way of bookbuilding*

Our Company and the Offeror are offering up to 168,878,100 IPO Shares, representing up to 22.46% of the enlarged issued and paid-up share capital of our Company, to be allocated in the following manner:

(i) Up to 75,176,000 IPO Shares, representing up to 10.00% of the enlarged issued and paid-up share capital of our Company will be offered to Bumiputera investors approved by MOF; and

(ii) Up to 93,702,100 IPO Shares, representing up to 12.46% of the enlarged issued and paid-up share capital of our Company will be offered to Malaysian institutional and selected investors and foreign institutional and selected investors outside the United States in reliance on Regulation S under the US Securities Act,

subject to the clawback and reallocation provisions and the Over-Allotment Option as set out in Sections 3.2.3 and 3.2.4 of this Prospectus, respectively.

Size of our Retail Offering : *Retail Offering at the Retail Price, payable in full upon application and subject to refund of the difference between the Retail Price and the Final Retail Price in the event the Final Retail Price is less than the Retail Price*

Our Company is offering up to 41,346,800 Public Issue Shares, representing up to 5.50% of the enlarged issued and paid-up share capital of our Company, to be allocated in the following manner:

(i) 37,588,000 Public Issue Shares, representing 5.00% of the enlarged issued and paid-up share capital of our Company, are available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which 18,794,000 Public Issue Shares, representing 2.5% of the enlarged issued and paid-up share capital of our Company, are set aside for Bumiputera individuals, companies, co-operatives, societies and institutions; and

(ii) Up to 3,758,800 Public Issue Shares, representing up to 0.5% of the enlarged issued and paid-up share capital of our Company, for subscription by our eligible Directors, employees and persons who have contributed to the success of our Group in the following manner:

   (a) Up to 400,000 Public Issue Shares, representing up to 0.05% of the enlarged issued and paid-up share capital of our Company, have been reserved for our Directors;

   (b) Up to 1,135,000 Public Issue Shares, representing up to 0.15% of the enlarged issued and paid-up share capital of our Company, have been reserved for 43 eligible employees of our Group, who have been confirmed employees of our Group for at least 2 months as at the LPD and who have not submitted their resignation as at the date of this Prospectus; and

   (c) Up to 2,223,800 Public Issue Shares, representing up to 0.30% of the enlarged issued and paid-up share capital of our Company, have been reserved for 56 persons who have contributed to the success of our Group.

Applicants who apply for Public Issue Shares under (ii) may also apply for Public Issue Shares under (i).

Any remaining Public Issue Shares unallocated to eligible Directors, employees and persons who have contributed to the success of our Group under (ii) will be made available for application by investors under (i) above, and subject to clawback and reallocation provisions as set out in Section 3.2.3 of this Prospectus.

Final Retail Price : The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date and shall equal the Institutional Price.

In the event that the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to successful applicants, without any interest thereon. Further details on the refund mechanism are set out in Section 3.5.3 of this Prospectus.

Prospective retail investors should be aware that the Final Retail Price will be equal to the Institutional Price and will not, in any event, be higher than the Retail Price nor lower than the par value of our Shares.

Utilisation of proceeds from the Public Issue : The gross proceeds from the Public Issue amounting to RM222.2 million is intended to be utilised in the following manner:

Purpose	**RM million**	**%**
Repayment of bank borrowings	133.0	59.86
Working capital	27.2	12.24
Strategic investments	50.0	22.50
Estimated listing expenses	12.0	5.40
Total gross proceeds	222.2	100.00

Total enlarged issued and paid-up share capital after Listing : RM75,175,998.00 comprising 751,759,980 Shares

Market capitalisation upon Listing : RM1,165,227,969.00*
** Based on the Retail Price and 751,759,980 Shares*

Detailed information on our IPO and utilisation of proceeds from the Public Issue are set out in Sections 3.2 and 3.7 respectively of this Prospectus.

2.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations as set out in Section 4 of this Prospectus (which may not be exhaustive), and are summarised below:

Risks relating to our business:

- We depend on AirAsia.
- Our brand names and intellectual property are important assets which do not belong to us and the licences for their use may be terminated or not extended.
- We may not be able to provide our Travel Protection Plan to customers of AirAsia in new target markets in a timely manner or at all as required under the AA Distribution Agreements and, as a result, may be liable to compensate AirAsia.
- Failure to secure new distribution channels, as well as any termination or disruption of our existing arrangements under current distribution channels, may have a material adverse effect on our competitiveness and result in a material adverse impact on our financial condition and results of operations.
- We are subject to risks associated with potential acquisitions of new businesses, assets and technologies or potential development of new products and distribution channels in the future.

- Our business is highly regulated and compliance with current or future requirements may limit our growth or adversely affect our future business.
- We rely on tie-ups with local insurance partners in jurisdictions in which we do not have a physical presence and we rely on our arrangement with RGA Global, our life reinsurance partner for our lifestyle protection plans.
- Any substantial increase in claims in our travel insurance or other general insurance products could have a material adverse effect on our financial condition and results of operations and our business is subject to fraud risks.
- We may not have adequate reserves due to actual events being different from our assumptions and estimates.
- Litigation, arbitration and/or regulatory investigations may result in significant financial losses and harm to our reputation.
- Our business is affected by market fluctuations and general economic, social and political conditions, in particular affecting Southeast Asia from which we generate a substantial amount of our operating revenue.
- We may be unable to successfully cede our risk and we do not currently reinsure our lifestyle protection plans.
- We may experience losses on our investments may have a material adverse effect on our financial condition and results of operations.
- We have a limited operating history as most of our operating entities were only incorporated in 2011.
- Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not be adequate or effective.
- We depend on key management and personnel as well as agency leaders and individual agents.
- Agent, employee and local insurance partner misconduct is difficult to detect and could harm our reputation or lead to regulatory sanctions or litigation against us.
- Consumer protection and data privacy laws, rules and regulations in our geographical markets could have a material adverse effect on our business, financial condition, results of operations.
- We may need additional capital in the future, and we cannot assure you that we will be able to obtain such capital on acceptable terms or at all.
- Our business and prospects may be materially and adversely affected if we are not able to manage our growth successfully.
- Our operations could be disrupted by unexpected network interruptions caused by system failures, natural disasters, terrorist attacks, unauthorised tampering or security breaches of our information technology systems.
- Fluctuations in exchange rates may have a material adverse effect on our business since we receive revenue and expense corresponding commissions in a variety of currencies.

Risks relating to our industry:

- We face significant competition and our business and prospects will be materially harmed if we are not able to compete effectively.
- The rate of growth of the air-travel industry, travel insurance and general insurance industries in the Asia-Pacific region may not be as high or as sustainable as we anticipate.
- Government measures and regulations in response to financial and other crises may materially and adversely affect our business.
- Changes in taxation law or exchange controls may materially and adversely affect our business, financial condition and results of operations.
- Any outbreak of infectious disease or fear of an outbreak, or any other serious public health concerns in Southeast Asia or elsewhere may have an adverse effect on the economies of certain Southeast Asian countries and may adversely affect us.

Risks relating to an investment in our Shares:

- We are controlled by TMSB and AirAsia Berhad, whose interests may not be aligned with those of our other shareholders.
- The pro forma financial information contained in this Prospectus may not accurately reflect our past, present and future financial position, results of operations and cash flows, in particular since the pro forma financial information would not reflect what might have occurred had our Group and TIMB actually been combined during the periods presented.
- There has been no prior market for our Shares and the offering of our Shares may not result in an active liquid market for our Shares.
- Our Share price may be volatile.
- There may be a delay in, or termination of, our Listing.
- We may not be able to pay dividends.
- The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares.
- Purchasers of our Shares in our Listing will experience immediate and substantial dilution because the Institutional Price and Final Retail Price are higher than our NAV per Share.

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3. PARTICULARS OF OUR IPO

3.1 INTRODUCTION

This Prospectus is dated 23 January 2013.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Form with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for the contents of this Prospectus.

Bursa Securities had via its letter dated 8 January 2013 granted its approval for the admission of our Company to the Official List of the Main Market of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of 751,759,980 Shares. Our Shares will be admitted to the Official List of the Main Market of Bursa Securities and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and an undertaking that notices of allotment will be issued and dispatched to all successful applicants.

Under Bursa Securities' trading rules, trading in all Bursa Securities' listed securities can only be executed through an ADA who is also a Bursa Securities member with effect from the date of listing.

You must have a CDS Account prior to submitting applications for our Shares either by way of the Application Forms or Electronic Share Application. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for our Shares. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as prescribed securities. Therefore, we will deposit the IPO Shares directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the Central Depositories Act and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the issued and paid-up share capital of our Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each. We expect to meet the above requirement at the point of Listing. However, if we do not meet the above requirement, we may not be allowed to proceed with our Listing. We will return in full, without interest, monies paid in respect of all applications. If any such monies are not repaid within 14 days after our Company is liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

You should rely only on the information contained in this Prospectus. We or our advisers have not authorised anyone to provide you with information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any material changes or developments affecting matters as disclosed in this Prospectus from the date of registration of this Prospectus with the SC up to the date of the Listing, we shall further issue a supplemented or replacement prospectus, as the case may be, in accordance with provisions of Section 238 of the CMSA.

The distribution of this Prospectus and the sale of our Shares will not be registered under any securities legislation of any jurisdiction except Malaysia. This Prospectus does not constitute and may not be used for the purpose of any offer to sell or an invitation of an offer to buy any IPO Shares in any jurisdiction and in any circumstance in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY BEFORE APPLYING FOR OUR IPO SHARES.

3.2 OUR IPO

Our IPO (comprising the Institutional Offering and Retail Offering) is subject to the terms and conditions of this Prospectus, and upon acceptance, will be allocated the aggregate of up to 210,224,900 Shares in the manner explained below which is subject to clawback and reallocation provisions as set out in Section 3.2.3 of this Prospectus. For the avoidance of doubt, our Shares offered under the Institutional Offering and the Retail Offering do not include the Shares to be offered under the Over-Allotment Option as set out in Section 3.2.4 of this Prospectus.

3.2.1 Institutional Offering

Institutional Offering at the Institutional Price payable in full upon allocation and determined by way of bookbuilding

TIH and the Offeror are offering up to 168,878,100 IPO Shares, representing up to 22.46% of the enlarged issued and paid-up share capital of our Company, to be allocated in the following manner:

(i) Up to 75,176,000 IPO Shares, representing up to 10.00% of the enlarged issued and paid-up share capital of our Company will be offered to Bumiputera investors approved by MOF; and

(ii) Up to 93,702,100 IPO Shares, representing up to 12.46% of the enlarged issued and paid-up share capital of our Company, will be offered to Malaysian institutional and selected investors and foreign institutional and selected investors outside the United States in reliance on Regulation S under the US Securities Act,

subject to the clawback and reallocation provisions and the Over-Allotment Option as set out in Sections 3.2.3 and 3.2.4 of this Prospectus, respectively.

3.2.2 Retail Offering

Retail Offering at the Retail Price, payable in full upon application and subject to refund of the difference between the Retail Price and the Final Retail Price in the event the Final Retail Price is less than the Retail Price

TIH is offering up to 41,346,800 Public Issue Shares, representing up to 5.50% of the enlarged issued and paid-up share capital of our Company, to be allocated in the following manner:

(i) 37,588,000 Public Issue Shares, representing 5.00% of the enlarged issued and paid-up share capital of our Company, are available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which 18,794,000 Public Issue Shares, representing 2.5% of the enlarged issued and paid-up share capital of our Company, are set aside for Bumiputera individuals, companies, co-operatives, societies and institutions; and

(ii) Up to 3,758,800 Public Issue Shares, representing up to 0.5% of the enlarged issued and paid-up share capital of our Company, for subscription by our eligible Directors, employees and persons who have contributed to the success of our Group in the following manner:

    (a) Up to 400,000 Public Issue Shares, representing up to 0.05% of the enlarged issued and paid-up share capital of our Company, have been reserved for our Directors;

(b) Up to 1,135,000 Public Issue Shares, representing up to 0.15% of the enlarged issued and paid-up share capital of our Company, have been reserved for 43 eligible employees of our Group, who have been confirmed employees of our Group for at least 2 months as at the LPD and who have not submitted their resignation as at the date of this Prospectus; and

(c) Up to 2,223,800 Public Issue Shares, representing up to 0.30% of the enlarged issued and paid-up share capital of our Company, have been reserved for 56 persons who have contributed to the success of our Group.

Applicants who apply for Public Issue Shares under Section 3.2.2(ii) may also apply for Public Issue Shares under Section 3.2.2(i).

Any remaining Public Issue Shares unallocated to eligible Directors, employees and persons who have contributed to the success of our Group under Section 3.2.2(ii) will be made available for application by investors under Section 3.2.2(i) above, and subject to clawback and reallocation provisions as set out in Section 3.2.3 of this Prospectus.

The criteria for the allocation of the Pink Form Shares to the Directors, employees and persons who have contributed to the success of our Group, as approved by the Board are as follows:

(a) Directors and employees of our Group
- Seniority;
- Length of service;
- Category of employees;
- Job performance; and
- Other criteria deemed fit by our Company.

(b) Persons who have contributed to the success of our Group
- Length of relationship; and
- Other criteria deemed fit by our Company.

Directors

The details of allocation of the Pink Form Shares to the eligible Directors of our Group are as follows:

Name	**Designation**	**No. of Pink Form Shares allocated**
Razman Hafidz Bin Abu Zarim	Chairman, Independent Non-Executive Director	100,000
Tan Sri Dr Anthony Francis Fernandes	Non-Independent Non-Executive Director	100,000
Tan Hong Kheng	Non-Independent Non-Executive Director	100,000
Ng Soon Lai @ Ng Siek Chuan	Independent Non-Executive Director	100,000
Total		400,000

Eligible employees and persons who have contributed to the success of our Group

The details of allocation of the Pink Form Shares to the eligible employees and persons who have contributed to the success of our Group are as follows:

Category of eligible employees	No. of persons	No. of Pink Form Shares allocated
Managerial and professional	22	795,000
Technical and supervisory	11	200,000
Executives and sales personnel	10	140,000
	43	1,135,000
Persons who have contributed to the success of our Group	56	2,223,800
Total	99	3,358,800

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The details and the shareholdings of the Offeror before and after the Offer for Sale are as follows:

		<-- Before IPO -->		<----- Offer for Sale ------>			<--- After IPO[(1)] --->	
Offeror / Registered Address	**Relationship with the Group for the past three years**	**No. of Shares**	**% held**	**No. of Shares**	**% of Share Capital as at the LPD***	**% of Enlarged Share Capital****	**No. of Shares**	**% held**
TMSB B-13-15, Level 13 Menara Prima Tower B Jalan PJU 1/39 Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan	Promoter	486,708,080	80.00	66,850,000	10.99	8.89	419,858,080	55.85

Notes:

* *Based on the existing issued and paid-up share capital of 608,385,080 TIH Shares, i.e. before the IPO.*

** *Based on the issued and paid-up share capital of 751,759,980 TIH Shares after the IPO.*

(1) *Assuming that the Over-Allotment Option is not exercised.*

3.2.3 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:

(i) If the IPO Shares allocated to the Bumiputera investors approved by MOF under the Institutional Offering are not fully taken up, the IPO Shares which are not taken up will be made available to other Malaysian and foreign institutional and selected investors under the Institutional Offering;

(ii) Subject to Sections 3.2.3(i) above, if there is an under-application in the Institutional Offering and a corresponding over-application in the Retail Offering, the IPO Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering; and

(iii) If there is an under-application in the Retail Offering and a corresponding over-application in the Institutional Offering, the Public Issue Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

Save for Section 3.2.3(i) above, the clawback and reallocation provisions above shall not apply in the event of over-application in both the Retail Offering and the Institutional Offering.

3.2.4 Over-Allotment Option

The Offeror is expected to grant an Over-Allotment Option to the Stabilising Manager (on behalf of the Joint Bookrunners) and our Company is expected to appoint the Stabilising Manager to undertake any price stabilisation actions. The Stabilising Manager may at its absolute discretion, over-allot TIH Shares (on behalf of the Joint Bookrunners) and subsequent thereto, effect transactions which may stabilise or maintain the market price of our Shares at levels that might not otherwise prevail in the open market. Such transactions consist of bids or purchases to peg, fix or maintain the price of the TIH Shares. If the Stabilising Manager creates a short position in the TIH Shares in connection with the Institutional Offering, the Stabilising Manager may reduce that short position by purchasing TIH Shares in the open market. The Stabilising Manager may also elect to reduce any short positions by exercising all or part of the Over-Allotment Option.

If granted, the Over-Allotment Option will be exercisable in whole or in part by the Stabilising Manager, on one or more occassions, by giving written notice to the Offeror at any time, within 30 days from the date of Listing to purchase from the Offeror up to an aggregate of 31,533,700 TIH Shares at the Institutional Price for each TIH Share, which is the amount representing 15.0% of the total number of IPO Shares, solely for purposes of covering over-allotments of our Shares (if any).

Subject to there being an over-allotment, the Stabilising Manager is expected to (on behalf of the Joint Bookrunners) enter into the Share Lending Agreement with the Offeror to borrow up to an aggregate of 31,533,700 TIH Shares to cover over-allotments, if any. Any TIH Shares that may be borrowed by the Stabilising Manager under the Share Lending Agreement will be returned by the Stabilising Manager to the Offeror either through the purchase of TIH Shares in the open market by the Stabilising Manager in the conduct of stabilisation activities or through the exercise of the Over-Allotment Option by the Stabilising Manager, or a combination of both. The exercise of the Over-Allotment Option will not increase the total number of TIH Shares issued.

Purchases of a security to stabilise the price or to cover the over-allotment may cause the price of the security to be higher than it might be in the absence of these purchases. Such transactions may be effected on the Main Market of Bursa Securites where it is permissable to do so, in compliance with all applicable laws and regulations, including the CMSA and any regulations thereunder. The number of TIH Shares that the Stabilising Manager may buy to undertake stabilising action, shall not exceed an aggregate of up to 31,533,700 TIH Shares, which is the amount representing 15.0% of the total number of IPO Shares.

However, there is no obligation on the Stabilising Manager to undertake any such stabilising action. Such stabilising actions may commence on or after the commencement of trading of our Shares on the Main Market of Bursa Securities, if commenced, may be discontinued at any time and cannot be effected after the earliest of (i) the date falling 30 days from the commencement of trading of the TIH Shares on the Main Market of Bursa Securities, or (ii) the date when the Stabilising Manager has bought, on the Main Market of Bursa Securities, an aggregate of up to 31,533,700 TIH Shares, which is the amount representing 15.0% of the total number of IPO Shares to undertake stabilising action.

Neither our Company, the Offeror, Joint Global Coordinators, Joint Bookrunners nor the Stabilising Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions descrived above may have on the price of the TIH Shares. In addition, neither our Company, the Offeror, Joint Global Coordinators, Joint Bookrunners nor the Stabilising Manager makes any representation that the Stabilising Manager will engage in such transactions, or that such transactions once commenced, will not be discontinued without notice (unless such notice is required by law).

3.3 SHARE CAPITAL

	RM
Aathorised share capital 1,500,000,000 ordinary shares of RM0.10 each	150,000,000.00
Issued and fully paid-up share capital as at the date of this Prospectus 608,385,080 ordinary shares of RM0.10 each	60,838,508.00
To be issued and credited as fully paid-up pursuant to our Pablic Issue 143,374,900 new ordinary shares of RM0.10 each	14,337,490.00
Enlarged issued and paid-up share capital upon Listing 751,759,980 ordinary shares of RM0.10 each	75,175,998.00

Based on the Retail Price and 751,759,980 Shares, the total market capitalisation of our Company on the Main Market of Bursa Securities upon Listing would be RM1,165,227,969.00.

We have only one class of shares in our Company, namely ordinary shares of RM0.10 each. The IPO Shares will upon allotment rank *pari passu* in all respects with one another and all other existing issued and paid-up share capital in our Company, including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the IPO Shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the capital paid up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and in the event of our liquidation, our shareholders shall be entitled to any surplus in proportion to the capital paid up at the commencement of the liquidation, in accordance with our Articles of Association and the provisions of the Act.

Each shareholder is entitled to vote at our general meetings in person or by proxy or by attorney and on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held. A proxy may but need not be a member of our Company, or a qualified legal practitioner, or an approved company auditor, or a person approved by CCM and the provisions of Section 149(1)(b) of the Act shall not apply to our Company.

3.4 PURPOSE OF OUR IPO

The purpose of our IPO is:

(i) to enable us to gain access to the capital market to raise funds for our future expansion and growth when the need arises in the future, through other forms of capital raising avenues;

(ii) to provide an opportunity for investors and institutions to participate in the continuing growth of our Group; and

(iii) to enhance our stature and heighten our public profile as well as increase market awareness of our products and services so as to assist us in expanding our customer base.

3.5 PRICING OF OUR IPO SHARES

3.5.1 The Retail Price

The Retail Price was determined and agreed upon by our Board, Promoters, Offeror, Joint Global Coordinators and Joint Bookrunners, after taking into account the prevailing market conditions and the following factors:

(i) Our operating history, financial performance and financial position as described in Sections 6, 11 and 12 of this Prospectus;

(ii) Our key competitive strengths in terms of our:

- exclusive relationship with AirAsia across the region;
- proven business model that can be replicated for other products and/or new markets in the region;
- ability to tap extensive electronic databases to sell insurance products online;
- benefit from attractive Southeast Asia general insurance market fundamentals; and
- experienced management team and strong shareholder support.

Further details of our key competitive strengths are described in Section 6.2 of this Prospectus.

(iii) Our strategies and future plans, as follows:

- leverage on the growth of AirAsia's businesses;
- replicate our business model with new partners, whether travel partners or otherwise, and increase our product offerings to customers of our existing online partners;
- improve Take-up Rates in our online insurance business to increase revenues;
- integrate TIMB to capture additional revenue and cost synergies, and diversify product offerings; and
- enhance revenue streams through appropriate acquisitions in Southeast Asia.

Further details of our strategies and future plans are described in Section 6.3 of this Prospectus.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date and shall equal the Institutional Price.

In the event that the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to successful applicants, without any interest thereon. Further details on the refund mechanism are set out in Section 3.5.3 of this Prospectus.

Prospective retail investors should be aware that the Final Retail Price will be equal to the Institutional Price and will not, in any event, be higher than the Retail Price nor lower than the par value of our Shares.

The Final Retail Price and the Institutional Price are expected to be announced within two Market Days from the Price Determination Date in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment.

You should note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of our Shares being traded. You should bear in mind the risk factors as set out in Section 4 of this Prospectus and form your own views on the valuation of our IPO Shares before deciding on whether to invest in our Shares.

3.5.2 Institutional Price

The Institutional Price will be determined by a bookbuilding process wherein prospective institutional investors will be invited to bid for portions of the Institutional Offering by specifying the number of IPO Shares that they would be prepared to acquire and the price that they would be prepared to pay for such IPO Shares. This bookbuilding process will commence on 23 January 2013 and will end on 6 February 2013, or such other date or dates as our Board, Offeror, Principal Adviser, Co-Adviser, Joint Global Coordinators and Joint Bookrunners in their absolute discretion may decide. Upon the completion of the bookbuilding process, the Institutional Price will be fixed by our Board, Promoters and the Offeror in consultation with the Joint Global Coordinators and Joint Bookrunners on the Price Determination Date.

3.5.3 Refund mechanism

In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded to successful applicants without any interest thereon. The refund in the form of cheques will be despatched by ordinary post to the address as stated in Bursa Depository's records for applications made via the Application Form or by crediting into the account of the successful applicant with the relevant Participating Financial Institution for applications made via the Electronic Share Application or the Internet Participating Financial Institutions for applications made via the Internet Share Application, within ten Market Days from the date of the final ballot of applications, at the successful applicants' own risk.

Please refer to Sections 16.4.3 and 16.4.5 of this Prospectus for further details of the refund mechanism.

3.6 DILUTION

Dilution is the amount by which the Retail/Institutional Price to be paid by applicants for our IPO Shares exceeds our NA per Share immediately after the IPO. The following table illustrates such dilution on a per Share basis assuming the Retail Price is equal to the Final Retail Price and Institutional Price:

	RM
Assumed Final Retail Price/Institutional Price	1.55
Pro forma consolidated NA per Share as at 30 September 2012 before our IPO (after adjusting the effect of the sub division of the Shares and capitalisation of advances from TMSB)	0.15
Pro forma consolidated NA per Share as at 30 September 2012 after our IPO (after adjusting the effect of the utilisation of proceeds)	0.40
Increase in pro forma consolidated NA per Share to existing shareholders	0.25
Dilution in the pro forma consolidated NA per Share after our IPO as compared to the assumed Final Retail Price/Institutional Price	1.15
Dilution in the pro forma consolidated NA per Share after our IPO as a percentage of the assumed Final Retail Price/Institutional Price	74%

The following table summarises the total number of Shares acquired by our substantial shareholders from the date of our incorporation to the date of this Prospectus and the average cost per Share to them:

	No. of Shares Before IPO	Total Consideration RM	Average Cost Per Share RM
TMSB	2#	2	1.00
	14,200,000#	14,200,000	1.00
	38,506#	38,506	1.00
	466,000,000	46,600,000	0.10
AirAsia Berhad	121,677,000	16,000,000	0.13[(1)]

Notes:

\# *ordinary shares of RM1.00 each*

(1) *Pursuant to the option agreement dated 20 April 2012 between TMSB, TIH and AirAsia Berhad, AirAsia Berhad was given an option by TMSB to acquire up to 20% equity interest in TIH from TMSB ("**Call Option**") at 1.0 time of TIH's NA at the point of exercise of the Call Option or a maximum exercise price of RM16.0 million. On 11 October 2012, AirAsia exercised the Call Option to purchase the 20% equity interest in TIH of 121,677,000 TIH Shares for a consideration of RM16.0 million. As at 11 October 2012, 20% of the unaudited NA of the TIH Group was RM16.13 million.*

3.7 USE OF PROCEEDS

The total gross proceeds to be raised pursuant to the Offer for Sale and the Over-Allotment Option, if exercised, will accrue to TMSB being the selling shareholder of the Offer Shares.

The total gross proceeds to be raised pursuant to the Public Issue is expected to be utilised in the manner set out below by our Group.

	Purposes	RM million	%	Estimated timeframe for use (from the listing date)
(i)	Repayment of bank borrowings	133.0	59.86	Upon Listing
(ii)	Working capital	27.2	12.24	Within 24 months
(iii)	Strategic investments	50.0	22.50	Within 24 months
(iv)	Estimated listing expenses	12.0	5.40	Within 3 months
	Total gross proceeds	222.2	100	

3. PARTICULARS OF OUR IPO *(Cont'd)*

Notes:

(i) ***Repayment of bank borrowings:***

The proposed repayment of bank borrowings is as follows:

Facility (RM million)	*Amount outstanding as at the LPD (RM million)*	*Proposed repayment (RM million)*	*Interest rate (% per annum) / Maturity date*	*Purpose of borrowing*
160.0	*132.96*	*132.96*	*Prevailing cost of funds + 2.75% / 5 years*	*Acquisition of TIMB and further acquisitions of shares of TIMB under the mandatory general offer from its minority shareholders*

(ii) ***Working capital:***

Proceeds in excess of the amounts allocated for repayment of bank borrowings, strategic investments and listing expenses (which may be in excess of or less than the estimated amount) will be utilised for general working capital requirements of our Group, including capitalisation of TIMB, financing the daily operations and operating expenses of our Company, which include administration and other operating expenses. Conversely, any shortfall in amounts allocated as set out above will be adjusted accordingly to the working capital requirements.

(iii) ***Strategic investments:***

Our strategic investments requirements are principally associated with the expansion of our business including acquiring any additional equity interest in TIMB from minority shareholders and other acquisition opportunities within Southeast Asia. We are currently in preliminary discussions to acquire local insurance providers in Indonesia and Thailand through which we will be able to market our products directly in these countries. Please refer to Section 6.3.5 of this Prospectus for further details on our strategic acquisition plans.

(iv) ***Estimated listing expenses:***

Our Company will bear all the listing expenses and fees incidental to the Listing of RM12.0 million as follows:

	RM million
Estimated professional fees	*3.3*
Brokerage, underwriting and placement fees	*4.0*
Regulatory fees	*0.3*
Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the IPO	*2.5*
Miscellaneous expenses and contingencies	*1.9*
Total	*12.0*

Note:

If the actual listing expenses are higher than estimated, the deficit will be funded out of working capital. However, if the actual listing expenses are lower than estimated, the excess will be utilised for general working capital requirements of our Group.

(v) *The final utilisation of proceeds may vary between items (ii), (iii) and (iv) depending on the needs of our Company at that juncture. However, such variation will not be material for each category and in any event of reallocation of proceeds, our Company will observe the necessary disclosure requirements under the Listing Requirements.*

Pending the eventual utilisation of the proceeds from our Public Issue for the above purposes, the proceeds will be placed in short-term deposits with licensed financial institutions or short-term money market instruments.

Through the IPO, we will increase our shareholders' funds and repay our bank borrowings, thereby reducing our gearing. We expect this to provide greater financial flexibility for us to fund our future expansion.

The pro forma financial impact arising from the utilisation of proceeds on our pro forma consolidated statements of financial position are set out in Section 12.3 of this Prospectus.

3.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

Brokerage

Brokerage relating to our IPO Shares made available for application under the Retail Offering is payable by us at the rate of one percent (1%) of the Final Retail Price, in respect of successful applications bearing the stamp of participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

Underwriting commission

The Joint Underwriters have agreed to underwrite up to 41,346,800 Public Issue Shares, which are made available for application under the Retail Offering as set out in Section 3.2.2 of this Prospectus. Underwriting commission is payable by us to our Joint Underwriters at the rate 1.5% of the total value of the underwritten Public Issue Shares at the Retail Price.

Placement fee

The Joint Global Coordinators and Joint Bookrunners will arrange for the placement of up to 168,878,100 IPO Shares at a rate of up to 1.75% of the value of the IPO Shares based on the Institutional Price. The Offeror will bear the expenses incurred relating to the Offer for Sale and the additional Shares to be sold under the Over-Allotment Option, if any.

3.9 UNDERWRITING, PLACEMENT AND LOCK-UP ARRANGEMENTS

Salient terms of the Underwriting Agreement

We have entered into an underwriting agreement with the Joint Underwriters on 9 January 2013 ("**Underwriting Agreement**") to underwrite up to 41,346,800 Public Issue Shares, which is made available for application under the Retail Offering as set out in Section 3.2.2 of this Prospectus.

Pursuant to the terms of the Underwriting Agreement, RHB Investment Bank has each agreed to underwrite up to 13,782,267 Public Issue Shares, CIMB has agreed to underwrite up to 13,782,267 Public Issue Shares and KIBB has agreed to underwrite up to 13,782,266 Public Issue Shares.

Details of the underwriting commission are set out in Section 3.8 of this Prospectus.

Certain provisions of the Underwriting Agreement may allow the Joint Underwriters to withdraw their obligations under the Underwriting Agreement after the opening of the offer, including, amongst others, the occurrence of the following events:

(a) there is any breach by the Company of any of the warranties and undertakings set out in the Underwriting Agreement in any respect;

(b) the Company withholds any material information from the Managing Underwriter and the Joint Underwriters, which, in the reasonable opinion of the Managing Underwriter and Joint Underwriters, would have or is reasonably likely to, have a material adverse effect;

(c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Managing Underwriter and the Joint Underwriters by reason of force majeure which would have or can reasonably be expected to have, a material adverse effect;

(d) any government requisition or other occurrence of any nature whatsoever which would have or is reasonably likely to have a material adverse effect;

(e) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Managing Underwriter would have or is reasonably likely to, have a material adverse effect;

(f) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for three (3) consecutive Market Days or more;

(g) any new law or regulation or change in law, regulation, directive, policy or ruling in any jurisdiction which in the reasonable opinion of the Managing Underwriter and the Joint Underwriters may prejudice the success of the Listing or which would have or is reasonably likely to have the effect of making it impracticable to enforce contracts to allot and/or transfer the Shares or making any obligation under the Underwriting Agreement incapable of performance in accordance with its terms;

(h) the Institutional Offering and/or the Retail Offering is stopped or delayed by the Company or the regulatory authorities for any reason whatsoever (unless such delay has been approved by the Managing Underwriter and the Joint Underwriters);

(i) the Listing does not take place by a specified date or such other extended date as may be agreed by the Managing Underwriter;

(j) any commencement of legal proceedings or action against any member of the TIH Group or any of their directors, which in the reasonable opinion of the Managing Underwriter and the Joint Underwriters, would have or is reasonably likely to have a material adverse effect or make it impracticable to enforce contracts to allot and/or transfer the Shares; and

(k) the placement agreement to be entered between the Company and the Offeror with the Joint Bookrunners in relation to the placement of 102,028,100 Public Issue Shares and 66,850,000 Offer Shares under the Institutional Offering shall have been terminated or rescinded in accordance with its terms.

Placement Agreement

We and the Offeror expect to enter into a placement agreement with the Joint Bookrunners in relation to the placement of 102,028,100 Public Issue Shares and 66,850,000 Offer Shares under the Institutional Offering, subject to clawback and reallocation provisions and the Over-Allotment Option. Each of us and the Offeror will be requested to give various representations, warranties and undertakings and to indemnify the Joint Bookrunners against certain liabilities in connection with the Institutional Offering.

Lock-up Arrangements

(a) We expect to enter into a lock-up arrangement with the Joint Global Coordinators where we shall agree that we shall not, without the consent of the Joint Global Coordinators, take any steps to issue any new Shares or any other securities of the Company that are substantially similar to the Shares or any securities convertible into or exercisable or exchangeable for Shares, for a period of 180 days from the date of Listing, save for the Shares to be issued pursuant to the Listing or the grant of any option or Shares to be issued pursuant to the exercise of any option granted under the Employees' Share Option Scheme.

(b) AirAsia Berhad has entered into a lock-up arrangement with the Joint Global Coordinators where AirAsia Berhad has agreed that AirAsia Berhad will not, and shall procure that its shareholders, affiliates and nominees or trustees holding the Shares on trust for or on its behalf shall not, without the prior written consent of the Joint Global Coordinators:

(i) offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or create any encumbrance, lend, hypothecate or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, the Shares (or any securities convertible into or exercisable or exchangeable for Shares) (i) held by it as at the date of the lock-up arrangement and (ii) acquired by it after the date of the lock-up arrangement and until and including the Listing Date (as defined herein) (collectively, the "**Relevant Shares**");

(ii) enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares);

(iii) deposit any Relevant Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities;

(iv) agree to do or announce any intention to do any of the above or an offering or sale of, any of the Relevant Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) with respect to any of the foregoing; or

(v) sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by it which is directly, or through another company or other entity indirectly, the beneficial owner of the Relevant Shares,

(collectively, the "**Restrictions**").

The Restrictions shall apply to all of the Relevant Shares from the date of the lock-up arrangement until the date falling 180 days from our Listing ("**Listing Date**").

(c) TMSB expects to enter into a lock-up arrangement with the Joint Global Coordinators where TMSB shall agree, that TMSB shall not, without the consent of the Joint Global Coordinators, sell, transfer or assign its entire shareholding in our Company, as at the date of Listing, save for the number of our Shares which are allocated under the Over-Allotment Option, for a period of 180 days from the date of Listing.

4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE INVESTING IN OUR SHARES.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitors, accountants or other professional adviser.

4.1 RISKS RELATING TO OUR BUSINESS

(i) We depend on AirAsia

All of our operating revenue (excluding TIMB) for FY2009 and FY2010 and substantially all of our operating revenue (excluding TIMB) for FY2011 are attributable to the Travel Protection Plan, which is offered to the customers of AirAsia. Consequently, we depend on AirAsia for a substantial portion of our business. The rest of our operating revenue for FY2011 (which amounts to less than 1%) are attributable to interests earned from fixed deposits placed with financial institution. The Travel Protection Plan contributed 66.9%, 62.5%, 49.9% and 81.1% of our pro forma profit before taxation (as set out in Section 12.2.1 – "Segment information by business" of this Prospectus) for FY2009, FY2010, FY2011 and 9M2012 respectively. We expect that the Travel Protection Plan will continue to account for a significant percentage of our profit before taxation in the future.

Since FY2009, our Travel Protection Plan has been offered to customers of AirAsia in the course of their purchase of AirAsia tickets and has been underwritten by our various local insurance partners in the relevant jurisdictions. These local insurance partners have separate agreements with AirAsia to offer the Travel Protection Plan and we reinsure these policies. Pursuant to the AA Distribution Agreements, which have terms of 10-years (with respect to AirAsia Berhad and AirAsia Japan Co., Ltd, expiring in 2022), 15-years (with respect to certain other affiliates of AirAsia Berhad, namely PT Indonesia AirAsia, AirAsia X Berhad and AirAsia Inc, expiring in 2027) and 5-years (with respect to Thai AirAsia Co. Ltd, expiring in 2017), we design and manage both general and life insurance products for their customers and through this exclusive arrangement, the Travel Protection Plan is offered to customers of AirAsia.

Our business will be adversely affected by a decline in AirAsia customer volumes or Take-up Rates by AirAsia customers of the Travel Protection Plan as our travel insurance is principally offered for sale through the AirAsia website and other sales channels during the course of the purchase of AirAsia tickets. The growth in AirAsia customers is affected by a number of factors including increasing the frequency of flights to markets that it currently serves and expanding its route network (by obtaining new air operating certificates in new markets) and managing the competition it faces from full-service carriers and low-cost carriers.

We cannot assure you that AirAsia will continue their partnership with us after the expiration of the AA Distribution Agreements, in particular, if AirAsia Berhad reduces its shareholding interest in us partially or entirely. We may experience a significant decline in our operating revenue should AirAsia decide to discontinue their relationship with us after the expiration of the AA Distribution Agreements or if the AA Distribution Agreements were terminated prematurely for various reasons which may or may not be within our control. Whilst we aim to extend our travel insurance business beyond AirAsia, thereby expanding our customer reach, we cannot assure you that we will be able to decrease our dependence on AirAsia over time. Further, pursuant to the AA Distribution Agreements, we cannot provide travel insurance services to other airlines without obtaining AirAsia's approval and consent and offering AirAsia and/or its customers, terms which are no less favourable than the terms offered to those other airlines and/or their customers.

(ii) Our brand names and intellectual property are important assets which do not belong to us and the licences for their use may be terminated or not extended

"AirAsia INSURE", "Tune Insurance" and other brand names and intellectual property rights are important assets that we rely on for our business which do not belong to us. These have been licensed to us from their respective owners and/or licensors. The "AirAsia INSURE" trademark was granted to us by AirAsia under the respective AA Distribution Agreements for the duration of the respective agreements while the "Tune Insurance" trademark was granted to us by Tune Group.com Limited on an exclusive and perpetual basis. We have spent significant resources establishing and promoting these brand names for our business, and we expect to expend significant resources promoting these brand names in the future. We may not be able to extend the licences for use of the "AirAsia INSURE" and other brand names. In addition, our right to use the "AirAsia INSURE" trademark under the AA Distribution Agreements with the affiliates of AirAsia Berhad is dependent on tbe ability of these affiliates to maintain their respective licensing arrangements with AirAsia Berhad. The licensor, or sub-licensors, as the case may be, may also terminate our right to use the brand names and intellectual property rights in the event of, amongst others, a material breach under the relevant agreements. The licensor, or sub-licensors, as the case may be, may not renew the licensing of such brand names to us on the expiry of the respective agreements. Both scenarios would reduce the value of goodwill associated with our name, result in the loss of competitive advantage and materially harm our business and profitability. In particular, we may not be able to operate our business under the "Tune Insurance" trademark if our right to use the trademark is terminated, and we may be required to expend a significant amount of time and resources to re-brand and market our business under new brand names. In these circumstances, our operations, business and financial performance would be materially and adversely affected.

Additionally, the validity, enforceability and scope of protection of our intellectual property rights under the licences in certain geographical markets in which we derive our revenue from may be uncertain, and we may not be successful in enforcing these rights. Any litigation, proceeding or other effort to protect such intellectual property rights could also result in substantial costs and diversion of resources and could materially harm our business and profitability. Consequently, our competitive position may be undermined, and we may suffer material losses as well as reputational damage.

(iii) We may not be able to provide our Travel Protection Plan to customers of AirAsia in new target markets in a timely manner or at all as required under the AA Distribution Agreements and, as a result, may be liable to compensate AirAsia

Under the AA Distribution Agreements, we are liable to compensate AirAsia in the event AirAsia notifies us of its intention to launch its operations in a new target market and we fail to ensure our Travel Protection Plan is ready for sale to customers of AirAsia in such market within a three-month period from the fulfilment of conditions by AirAsia. We are not liable for delays due to, among others, AirAsia not providing us with the requisite documents or legal or regulatory prohibitions or restrictions.

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In the event of breach, we are liable for compensating AirAsia for any loss of opportunity taking into account (a) the maximum regulated commission rate permitted in the new target market or a fixed percentage if there is no regulated commission rate in such market, (b) the number of AirAsia customers booking flights into or from the new target market from the date of the first commercial flight into or from such market to the date our Travel Protection Plan is ready for sale to AirAsia customers, and (c) the average monthly insurance Take-up Rate for the first three months experienced by AirAsia when opening new routes or markets. In the past, prior to the signing of the AA Distribution Agreements, we have experienced instances where our Travel Protection Plan was not available for sale to customers of AirAsia in new markets that AirAsia had commenced operations within a three-month period. In such instances and after consultation with AirAsia, we have not been required to compensate AirAsia. Following the signing of the AA Distribution Agreements, we have not been in breach of this provision to date. However, we cannot assure you that going forward, we will always be able to offer our Travel Protection Plan to customers of AirAsia in new target markets within the required timeline or that if we are unable to do so, and after consultation with AirAsia, we will not be liable to compensate AirAsia.

(iv) Failure to secure new distribution channels, as well as any termination or disruption of our existing arrangements under current distribution channels, may have a material adverse effect on our competitiveness and may result in a material adverse impact on our financial condition and results of operations

We have increasingly focused on improving our revenue through direct marketing and other alternative distribution channels. For example, we have entered into an agency agreement with KIBB and a travel insurance services agreement with AirAsia Expedia to diversify our distribution channels with respect to our general insurance products. As these distribution channels become increasingly important in the Asia-Pacific travel and general insurance industry, if we fail to secure new distribution relationships or to maintain our existing relationships, our competitiveness may be materially and adversely affected. However, such arrangements are new and untested distribution channels which we have recently begun and may not be as effective or successful as we had anticipated. Our direct marketing distribution channel could be adversely impacted by the loss of sales staff or sponsor partners, improper activities when selling travel and general insurance products, mishandling of customer complaints, changing regulation and suspension of our direct marketing programmes. To the extent we are not able to maintain our existing distribution relationships or secure new distribution relationships, we may not be able to maintain or grow our premiums, and our financial condition and results of operations may be materially and adversely impacted.

(v) We are subject to risks associated witb potential acquisitions of new businesses, assets and technologies or potential development of new products and distribution channels in the future

As part of our growth strategy, we have made, and from time to time may continue to make, acquisitions and investments in companies or businesses. The success of our acquisitions and investments depends on a number of factors, including:

- our ability to identify suitable opportunities for investment or acquisition;
- whether we are able to reach an acquisition or investment agreement on terms that are satisfactory to us;
- our ability to comply with regulatory requirements that may be imposed on us;
- the extent to which we are able to exercise control over the acquired company or business; the economic, business or other strategic objectives and goals of the acquired company or business compared to those of ours; our ability to successfully integrate the acquired company or business;

- our ability to integrate new business lines, operations and personnel, including the management team from acquired businesses;

- our ability to maintain our reputation;

- our ability to realise the expected benefits of the acquired company or business;

- our ability to manage new geographical risks, such as political, economic, legal, operational and other risks that are inherent in operating in a foreign country, including risks of possible nationalisation, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities;

- our ability to maintain or grow relationships with employees or customers; and

- any exposure to unforeseen or hidden liabilities.

We acquired TIMB in May 2012. Notwithstanding our legal, financial and actuarial due diligence exercise undertaken before the acquisition of TIMB, there may still be unknown or contingent liabilities, such as risks arising from inaccurate actuarial valuations on assets that TIMB had previously underwritten, which we may become liable for. We may not have adequate reserves to meet such future claims in the event these contingencies materialise. A failure to honour TIMB's historical underwriting commitments effectively may result in a loss of reputation to us, all of which may have a material adverse effect on our results of operations and prospects. In addition, BNM required us to submit a plan that no individual holds more than 10.0% effective interest in TIMB by 8 July 2017, which may be beyond our control.

In addition, if we are to manage travel insurance for another airline, AirAsia are required to provide their consent, which may not be forthcoming, for whatever reasons. If we fail to successfully identify or undertake future investments, acquisitions, distribution arrangements, partnerships and new business lines and strategies, we may experience a material adverse effect on our business, financial condition and results of operations.

(vi) Our business is highly regulated and compliance with current or future requirements may limit our growth or adversely affect our future business.

We are subject to regulatory oversight in Malaysia. Please refer to Section 15.6 - "Regulations" of this Prospectus for further details. Failure to comply with any of the applicable laws, rules and regulations (or increased enforcement of previously unenforced rules and regulations), could result in fines or suspension of our business licences or, in extreme cases, business licence revocation, each of which would have a material adverse effect on our business, liquidity, financial condition and results of operations.

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During TIMB's last audit / supervisory inspection by BNM in 2011, prior to our acquisition, BNM had highlighted several findings, including weakness and limitations in the following areas: (a) capital position, (b) senior management, (c) internal audit function, (d) risk management and compliance function, (e) information technology system, and (f) claims management process. BNM also expressed concerns in the motor insurance and marine insurance business of TIMB, stipulated that its capital adequacy ratio should be maintained at 180%, which is above the required regulatory capital adequacy ratio of 130%. In this regard, it is the norm of the insurance industry for insurance companies to maintain a capital adequacy ratio which is above the required regulatory capital adequacy ratio. As capital adequacy ratio is essentially a risk management tool linking capital requirement to risk profile of TIMB's business, this implies that TIMB is required to maintain sufficient capital to write risks without affecting its financial condition. The capital adequacy ratio of 180% vis-à-vis the statutory minimum of 130% provides a buffer against any future adverse deterioration in claims expense, investment and exposure to reinsurers. The impact of maintaining a higher capital adequacy ratio of 180% would mean that there may be times where TIMB needs to avoid writing certain risks or businesses that may have higher claims ratio but are still profitable, and to avoid certain investments due to the different risk charges, which in turn may affect its future growth and profitability. We currently meet the capital adequacy ratio of above 180%, which allows for greater flexibility in risk selection and underwriting, increasing retention on profitable lines of business and investment management. However, you should note that the capital adequacy ratio could fluctuate due to adverse results and/or operations and there is no assurance we can maintain this level going forward.

TIMB is also subject to periodic audits by the General Insurance Association of Malaysia. At TIMB's last audit / inspection by the General Insurance Association of Malaysia in 2011, which was prior to our acquisition, the General Insurance Association of Malaysia highlighted several findings in relation to one of our branch offices, including the following: (i) its agents did not comply with certain regulations and such breach of regulations were not reported to the General Insurance Association of Malaysia and (ii) premiums charged were below the tariff amount on a few occasions. We have fully addressed General Insurance Association of Malaysia's concerns to date but it may have further concerns in the future.

While TIMB had responded to BNM and the General Insurance Association of Malaysia promptly relating to these issues and we, following our acquisition of TIMB, are addressing these issues as well, we cannot assure you we can fully address and rectify all of BNM's and the General Insurance Association of Malaysia's current and future findings within stipulated timeframes. In addition, if we do not fully address BNM's concerns, BNM may take an active role in the governance and management of TIMB.

These regulators have broad authority over all aspects of our business, including our ownership and shareholding structure, our capital, solvency and reserve requirements, our ability to declare dividends and other distributions (including the timing of dividends and distributions), and our ability to expand our operations, enter certain lines of business and markets, offer new products, underwrite certain risks, price our products profitably and enter into certain distribution and outsourcing arrangements. Compliance with applicable laws, rules and regulations or any rulings or directions made or issued by regulators may restrict our business activities and require us to incur increased expense and to devote considerable time and management resources to such compliance efforts.

Insurance companies are generally required by applicable law to maintain their solvency at a level in excess of statutory minimum standards. Our solvency levels are determined primarily by the solvency margins we are required to maintain, which are in turn affected by the volume and type of new travel and general insurance policies we sell, the composition of our in-force insurance policies and by regulations on the determination of statutory reserves. Our solvency is also affected by a number of other factors, including the profit margin of our products, actual claim rates, returns on our assets and investments, interest rates, underwriting and acquisition costs, and policyholder and shareholder dividends. Compliance with changing solvency and risk-based capital requirements entails costs to us and may affect the rate of growth of our business.

In particular, the Labuan FSA requires TIL, TMGR and TMLR to maintain prescribed solvency ratios. The margin of solvency for TIL shows a deficiency of RM4,057,000 as at 30 September 2012. TIL had ceased underwriting new reinsurance contracts from March 2012. New reinsurance contracts are channeled to TMGR or TMLR, as the case may be. We had corresponded with the Labuan FSA and we will continue to support TIL's operations and existing reinsurance contracts it entered into (prior to March 2012). We will also ensure that there are sufficient working funds available to meet TIL's obligations and liabilities as and when they fall due.

Further, the margin of solvency for TMLR shows a deficiency of RM2,503,000 as at 30 September 2012. Similarly, we will ensure that there are sufficient working funds available to meet TMLR's obligations and liabilities as and when they fall due. Notwithstanding so, Labuan FSA may nonetheless impose a penalty or revoke the licence of TIL or TMLR.

Regulatory action may require us to underwrite certain unprofitable risks or restrict our ability to set product prices aligned with our product pricing and profitability criteria. For example, the Malaysian Motor Insurance Pool is a high-risk insurance pool participated by all general insurance companies (including TIMB). It seeks to provide motor insurance to vehicle owners who have difficulty obtaining motor insurance in the market. The Malaysian Motor Insurance Pool made a loss before tax of RM166.3 million for FY2011 and RM126.2 million for 9M2012. All general insurance companies (including TIMB) are to bear an equal share of loss in the Malaysian Motor Insurance Pool irrespective of their market share in the industry and in this respect, our share of loss in the Malaysian Motor Insurance Pool for FY2011 and 9M2012 is RM12.2 million and RM5.0 million respectively. In FY2011, TIMB registered a high share of loss as a result of two financial years' losses (namely FY2010 and FY2011) being registered. Accordingly, in the event of consolidation of the general insurance companies going forward, TIMB, together with the remaining general insurance companies, would have to bear a larger proportion of loss in the Malaysian Motor Insurance Pool.

Our share of loss is reflected in our financial statements as and when the quarterly statements were received from the Malaysian Motor Insurance Pool which may not occur on a timely basis and which, in the past, has resulted in an uneven impact on our results of operations. Since July 2012, we have commenced recognising our share of the Malaysian Motor Insurance Pool on a best estimate basis to reduce the uncertainty of fluctuations if the statements are not received on a timely basis. Although statements from the Malaysian Motor Insurance Pool have generally been received in 9M2012 on a timely basis, we cannot assure you that statements from the Malaysian Motor Insurance Pool will continue to be received by us on a timely basis. In the event we do not receive the statement for any quarter in time, we would recognise our proportion of loss in the Malaysian Motor Insurance Pool on a best estimate basis. Should our estimate be materially different from the statement that we eventually receive from the Malaysian Motor Insurance Pool, this may have an material adverse effect on our financial condition. For further details in respect of our participation in the Malaysian Motor Insurance Pool, please refer to Section 11.5.12 - "Participation in the Malaysian Motor Insurance Pool affects our Other General Insurance Business" of this Prospectus.

BNM also subjects insurance products relating to, among others, fire, motor, property and workmen compensation to tariffs and we may not be able to fully or effectively price our risk into the premiums we charge for such products. Although BNM has in recent years, revised these tariffs gradually (for example, the gradual revision in motor tariffs as announced by BNM on 6 January 2012 was implemented effective from 16 January 2012), there is no assurance that BNM will make further gradual revision to existing tariffs or will not subject other insurance products to new tariffs.

In addition, should there be any regulatory change in Malaysia to prohibit our reinsurance arrangement between TIMB and TMGR, this may materially adversely affect our financial condition.

There could also be a substantial increase in government regulation and supervision of the insurance industries in the future or changes in government policy, legislation or regulatory interpretation and which in some circumstances may be applied retrospectively. Such changes may materially and adversely affect our product range, distribution network, capital requirements, day-to-day operations, corporate structure, which could have a material adverse effect on our business, financial condition and results of operations.

(vii) We rely on tie-ups with local insurance partners in jurisdictions in which we do not have a physical presence and we rely on our arrangement with RGA Global, our life reinsurance partner for our lifestyle protection plans

Currently, one of the key elements of our business model is to operate in partnership, directly or indirectly, with local insurance partners in jurisdictions where our products, including our travel insurance, are currently offered and where we do not have the requisite general and life insurance licence to underwrite. We also work closely with our local life insurance partners in relation to our lifestyle protection plans.

The existing arrangements in place with our local insurance partners are subject to renewal annually. Our local insurance partners are contractually obligated to provide a 90-day notice period in the event that they wish to re-negotiate the existing terms of such agreements. There is also no assurance that our local insurance partners will continue their partnership with us going forward. There may be a significant decline in our revenue should a local insurance partner decide to discontinue their relationship with us and we are unable to find a replacement partner in a timely manner, or at all. In addition, if these local insurers are unable to perform their contractual obligations for any reason, including legal and/or regulatory prohibitions that prevent them from entering into such reinsurance arrangements with us, to underwrite such products offered to the end consumers, there can be no assurance that we would be able to enter into or source for another duly licensed insurer in that jurisdiction at comparable commercial terms and in a timely manner, or at all.

We also entered into an arrangement with RGA Global with respect to our lifestyle protection plans. Our local life insurance partners have entered into a reinsurance arrangement with RGA Global, which will then cede a portion of the risk to us. Should RGA Global discontinue their relationship with us going forward or should it be unable to perform its contractual obligations for any reason to reinsure our lifestyle protection plans from our local life insurance partners, it may have a material adverse effect on our results of operations and prospects.

(viii) Any substantial increase in claims in our travel insurance or other general insurance products could have a material adverse effect on our financial condition and results of operations and our business is subject to fraud risks

Our net claims were RM1.1 million for FY2009, RM1.5 million for FY2010, RM1.9 million for FY2011 and RM35.4 million for 9M2012. Our pro forma net claims for FY2011 and 9M2012 were RM109.9 million and RM91.4 million. We cannot assure you that net claims going forward would continue to remain at this level. In the event of an increasing trend of net claims for our products by our customers or an increase in claims resulting from significant catastrophic event in the future, there would be a material adverse effect on our financial condition and results of operations.

Our insurance business exposes us to claims arising out of events and catastrophes such as epidemics, international tensions in many parts of the world, terrorism, ongoing and future military actions and natural disasters affecting a large segment of the population. In particular, we may be exposed to increased claims in the event of catastrophic mortality, such as an epidemic or other events that cause a large number of deaths.

Our claims liabilities are recognised as the obligations to make future payments in relation to all claims that have been incurred as at the end of the financial year. The value is the best estimate value of claims liabilities which includes provision for, among others, claims incurred but not reported. These are based on an actual valuation by a qualified actuary. In the event there are material changes in such actuarial valuation, it may have an material adverse effect on our financial condition and results of operations.

In addition, we and our local insurance partners face the risks of our customers providing false information or making fraudulent claims. Whilst we and our local insurance partners have put in place safeguards and processes to verify information supplied or claims made by our customers, there is no assurance that we and/or our local insurance partners are able to detect or prove fraud at all times and this may result in an escalation of fraudulent claims which would have a material adverse effect on our financial condition and results of operations.

(ix) We may not have adequate reserves due to actual events being different from our assumptions and estimates

We establish and carry reserves as balance sheet liabilities to pay future policyholder benefits and claims. We establish these reserves based on many assumptions and estimates. For example, our lifestyle protection plans are based on, among others, the following assumptions and estimates:

- lapse, surrenders and persistency (i.e. how long an insurance policy or contract stays in force);
- amount of benefits or claims to be paid; and
- mortality and morbidity rates (i.e., the relative incidence of death and disease or medical condition in a given time)

The process of determining these assumptions and estimates is a difficult and complex exercise involving many variable and subjective judgments. Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid benefits and claims, we cannot precisely determine the amount that we will ultimately pay to settle these liabilities. These amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future. In addition, actual experience, such as lapse, mortality, expense and morbidity, can be different from the assumptions used when we establish reserves for and price our products or otherwise use such assumptions in the conduct of our business. In addition, we may lack sufficient data to make accurate estimates of the future benefits or claims experience. Significant deviations in actual experience from our assumptions could materially and adversely reduce our profitability.

We evaluate our reserves for insurance contract liabilities, net of expenses incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance policies periodically, based on changes in the assumptions and estimates used to establish these reserves, as well as our actual policy benefits and claims experience. A liability adequacy test is performed on all insurance contract liabilities at least annually. Please refer to the accounting policy notes for "Liability adequacy test" disclosed in the Accountant's Report set out in Section 13 of this Prospectus. If the net reserves initially established for future policy benefits prove insufficient, we must increase our net reserves, which may have a material adverse effect on our liquidity, financial condition and results of operations.

In addition, a significant portion of our assets is comprised of our investment portfolio, and catastrophic events may materially and adversely affect market prices for these investments, thereby causing decreased asset values during a period in which we may also experience increases in claims incurred. A decrease in asset quality could result in, among other things, a write-down in the fair value of assets and other charges to our earnings, which would reduce our profitability.

(x) Litigation, arbitration and/or regulatory investigations may result in significant financial losses and harm to our reputation

We face a significant risk of litigation, arbitration, regulatory investigations and similar actions in the ordinary course of our business, including with respect to claims payments and procedures, disclosure and denial or delay of benefits. Any such action may include claims for substantial or unspecified compensatory and punitive damages, as well as civil, regulatory or criminal proceedings against our directors, officers or employees, and the probability and amount of liability, if any, may remain unknown for significant periods of time.

We are also subject to various regulatory inquiries, such as information requests and examination of our books and records, from regulators and other authorities in Malaysia.

A substantial liability arising from a lawsuit, judgment or a significant regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees could have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant harm to our reputation, which could materially affect our prospects and future growth, including our ability to attract new customers, retain current customers and recruit and retain employees and agents.

We are a party to several litigation and/or arbitration proceedings, particularly in relation to our motor insurance business and employment disputes, where the amount claimed in respect of each proceeding is less than RM3.0 million. TIMB had also commenced proceedings against a number of its former agents and employees, which aggregate claims are approximately RM1.0 million.

(xi) Our business is affected by market fluctuations and general economic, social and political conditions, in particular affecting Southeast Asia from which we generate a substantial amount of our operating revenue

We generate substantial revenue from customers in Southeast Asia, in particular Malaysia. We expect to continue targeting customers located in Southeast Asia for our travel insurance, life insurance and general insurance businesses. We also target customers from the wider Asia-Pacific region. Consequently, our business depends substantially on the general economic, social and political conditions in Southeast Asia and the growth of our business depends on other markets to which we expand. Any economic, social or political volatility, crisis and continuing impact on these economies, or any new adverse economic development in these regions, could materially and adversely affect travel demand or demand for our other insurance products which would in turn have a material adverse effect on our business.

For example, the terrorist attacks of October 2002, August 2003 and September 2004 in Indonesia have caused increased political, social and economic instability in that country, which may be exacerbated by any additional acts of terrorism in the future. There have been incidences of violence in southern Thailand, near the Thai-Malaysian border and in response martial law has been imposed in Narathiwat, Pattani and Yala provinces. In recent years, certain Asian countries and territories, including Indonesia and other places where our Travel Protection Plan is available to customers, have implemented various measures aimed to effect economic or political reforms and changes. Some of these measures, especially where they are unexpected or severe, have led to increased incidents or higher risks of political instability and social unrest. Government-imposed wage and price controls, higher unemployment rates, mandated industry restructuring and trade barriers, such as high tariffs and customs duties, which negatively affect any domestic industry, are some examples of events causing increased volatility in social and political conditions in Asia.

Difficult social or political operating conditions, or difficult economic operating conditions such as those present in 2008 and 2011, could reduce the demand for our products and services, reduce the returns from our investment activities, increase fraudulent claims and otherwise have a material adverse effect on our business, including in the following ways:

- ***Decreased sales of our products.*** An economic downturn or other adverse events may result in higher unemployment levels, lower family income, decreased corporate earnings and reduced business investment and consumer spending, which could in turn significantly reduce the demand for our products, such as our travel insurance product and our lifestyle protection products.

- ***Equity price declines.*** We may suffer declines in the value of the equity securities held in our investment portfolio as a result of adverse capital market conditions.

(xii) We may be unable to successfully cede our risk and we do not currently reinsure our lifestyle protection plans

We cede a portion of the business we underwrite, directly or via reinsurance, to a number of national and international reinsurance companies to reduce our underwriting risk, specifically in relation to losses arising from catastrophic events and TIMB's motor and non-motor insurance. We generally cede a portion of our risk through reinsurance brokers. Reinsurance, however, may not protect us completely against all losses. Although a reinsurer is liable to us to the extent of the ceded reinsurance, we remain liable as the direct insurer, or reinsurer as the case may be, on all risks insured, or reinsured as the case may be. As a result, although we seek to enter into reinsurance arrangements only with reputable and creditworthy reinsurers, we are subject to credit risks of our reinsurers, which could increase our financial losses arising out of a risk we have insured.

In addition, the applicable Malaysian regulations relating to reinsurance currently require all Malaysian insurers to cede a portion of gross premiums under certain types of insurance policies to Malaysian Reinsurance Berhad (rated "A" by Fitch Ratings), the wholly-owned subsidiary of MNRB Holdings Berhad. Malaysian Reinsurance Berhad is the national reinsurer in Malaysia. In the event of a catastrophic loss that affects a significant number of Malaysian insurers, Malaysian Reinsurance Berhad may not be able to pay us on a timely basis, or at all. A default by Malaysian Reinsurance Berhad under our existing reinsurance arrangement would increase our financial losses arising out of a risk we have insured, which would reduce our profitability and may adversely affect our liquidity.

We currently do not reinsure our lifestyle protection plans. In the event we experience a substantial number of claims in relation to our lifestyle protection plans, we could experience a material adverse effect on our financial condition.

The availability and cost of reinsurance are subject to prevailing market conditions which are beyond our control and may affect our business and profitability. If we are not able to maintain reinsurance coverage in adequate amounts and on reasonable terms, either our net risk exposures would increase or, if we are unwilling to bear an increase in net risk exposures, our overall underwriting capacity would decrease. This could materially and adversely affect our business, results of operations and financial condition.

(xiii) We may experience losses on our investments which may have a material adverse effect on our financial condition and results of operations

Our business depends in part on the returns on investments, which could reduce the value of, and the income generated by, our investment portfolio and could have a material adverse effect on our business, financial condition and results of operations.

Our investment portfolio is concentrated and comprised primarily of fixed term deposits and short term deposits. We also hold significant amounts of governmental agency bonds and corporate bonds. As a result, we have significant credit exposure to sovereign and corporate issuers as well as significant risk exposure to banking and other financial institutions where we have our fixed term deposits and short term deposits. Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographic region may have a greater negative effect on our investment portfolio to the extent that our portfolio is concentrated. Interest rate fluctuations may also affect the return on our investments. Such concentrations in our investment portfolio increase the risk that, in the event we experience a significant loss in any of these investments, our financial condition and results of operations would be materially and adversely affected.

In addition, we cannot assure you that we will not suffer losses due to defaults if we enter into investment instruments with counterparties.

There may not be a liquid trading market for certain of our investments, which is in turn affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. If we were required to dispose of these or other potentially illiquid assets on short notice, we could be forced to sell such assets at prices significantly lower than the prices we have recorded in our consolidated financial information

In addition, we determine the amount of impairment losses to be recognised in respect of our investments in accordance with the requirements of MFRS. The accounting policies related to recognition of impairment losses on investments is disclosed in Section III, 3(e)to the Accountant's Report set out in Section 13 of this Prospectus. Such determination varies by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset classes. These evaluations and assessments are revised as conditions change and new information becomes available. The determination of the amount of impairment losses to be taken on our investment assets may require complex and subjective judgments. We cannot assure you that our management's best estimates reflect actual losses that will ultimately be incurred on these investments, that historical trends will be indicative of future impairment losses or that we will not be required under future accounting standards to change the amounts of impairment losses of our investments. In accordance with MFRS, we do not establish reserves for catastrophes in advance of their occurrence, and the loss or losses from a single catastrophe or multiple catastrophes could materially and adversely affect our business, financial condition and results of operations.

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(xiv) We have a limited operating history as most of our operating entities were only incorporated in 2011

We, TMGR and TMLR were incorporated in 2011. Prior to our incorporation, TIL (which was itself incorporated in 2009) was the sole operating entity. In addition, we have historically relied on Multi-Purpose Insurans Bhd (a wholly-owned subsidiary of Multi-Purpose Capital Holdings Berhad, which in turn holds a 20.0% equity interest in TIL). TIL was established as a 80:20 joint venture between TMSB and Multi-Purpose Capital Holdings Berhad with the primary purpose of reinsuring general insurance business underwritten by Multi-Purpose Insurans Bhd. Multi-Purpose Insurans Bhd is an insurance provider that, through a contractual relationship with AirAsia, negotiated agreements with local insurance partners outside Malaysia on AirAsia's behalf with respect to AirAsia's travel insurance, and underwrote such policies in Malaysia prior to 3 September 2012. Multi-Purpose Insurans Bhd also provided certain management services to us in FY2009 and FY2010. With our incorporation and the acquisition of TIL, TMGR and TMLR from TMSB in 2011 and the introduction of our new management at the end of 2010 and the beginning of 2011, we took over many of these roles and following our acquisition of TIMB, AirAsia has terminated their agreement with Multi-Purpose Insurans Bhd, which took effect on 3 September 2012. Pursuant to the AA Distribution Agreements, we are the exclusive insurance product manager for AirAsia and effective 4 September 2012, our subsidiary, TIMB, underwrites the Travel Protection Plan directly in Malaysia. As such, we do not have long operating histories by which our respective past performances may be judged. Our prospects must be considered in light of the risks, uncertainties and difficulties encountered by companies during the early stages of operations.

(xv) Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not be adequate or effective

We have established risk governance and frameworks in managing our risk exposures, which include insurance, credit, market, liquidity, operational and related risks. Our risk management policies, procedures and internal controls may not be adequate or effective in mitigating our risk exposures, including risks that are unidentified or unanticipated. In particular, some methods of managing risk are based upon observed historical market behaviour and claims experience. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters. This information may not be accurate, complete, up-to-date or properly evaluated. In addition, in geographical markets that are rapidly developing, the information and experience data that we rely on may become quickly outdated by market and regulatory developments. We use models in our risk management procedures and these models rely on assumptions and projections that are inherently uncertain.

In addition, our investment portfolio is governed by our risk management and asset allocation decisions and is also partially outsourced to external investment advisors. We may not have adequate risk management tools, policies and procedures, and we may not have sufficient access to resources and trading counterparties to effectively implement investment risk mitigation strategies and techniques related to our investment portfolio. If our investment decision making process fails to minimise losses while capturing gains, we could experience significant financial losses and harm to our business.

(xvi) We depend on key management and personnel as well as agency leaders and individual agents

The success of our business is dependent to a large extent on our ability to attract and retain key personnel who have in-depth knowledge and understanding of the insurance markets in which we operate, including members of our senior management, information technology specialists, experienced investment managers and finance professionals, underwriting personnel, sales staff and other personnel.

Our business could suffer if we lose the services of our personnel and cannot adequately replace them. Moreover, we may be required to increase substantially the number of such personnel in connection with any future growth plans, and we may face difficulty in doing so due to the intense competition in the Asia-Pacific insurance industry for such personnel. In addition, we may be subject to laws and regulations that restrict the way we compensate and recruit our employees. We cannot assure you that we will be able to attract and retain qualified personnel in the near future.

In addition, TIMB depends to a significant extent on our agency leaders and individual agents to distribute our general insurance products. TIMB faces intense competition to attract and retain agency leaders and individual agents, and it competes with other companies for their services, primarily on the basis of our reputation, product range, compensation and retirement benefits, training, support services and financial position. TIMB may not always be successful in attracting agency leaders and individual agents, and we cannot assure you that our initiatives to retain and attract agency leaders and individual agents will succeed. Competition from other insurance companies and business institutions may also force TIMB to increase the benefits provided to its agency leaders and individual agents, which would increase operating costs and reduce our profitability. If TIMB is unsuccessful in attracting and retaining agency leaders and individual agents, its ability to effectively market and distribute its products may be negatively affected, which could have a material adverse effect on our financial condition and results of operations.

(xvii) Agent, employee and local insurance partner misconduct is difficult to detect and could harm our reputation or lead to regulatory sanctions or litigation against us

Our agents, employees or local insurance partners' misconduct could result in violations of law, regulatory sanctions, litigation or serious reputational or financial harm. Such misconduct could include:

- binding us to transactions that exceed authorised limits;
- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- improperly using or disclosing confidential information;
- making illegal or improper payments;
- recommending products, services or transactions that are not suitable for our customers;
- misappropriation of funds;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of our customers; or
- otherwise not complying with applicable laws.

The measures that we have taken to detect and deter misconduct by our agents, employees and local insurance partners may not be effective and so we may not always be successful in detecting or deterring such misconduct. We cannot assure you that any such misconduct would not have a material adverse effect on our reputation, business, financial condition and results of operations and prospects.

(xviii) Consumer protection and data privacy laws, rules and regulations in our geographical markets could have a material adverse effect on our business, financial condition, results of operations

We are required to comply with the consumer protection and data privacy laws in the jurisdictions we operate. For example, our Travel Protection Plan is predominantly sold through the AirAsia website and offered to AirAsia customers through a pre-checked box. AirAsia customers who do not wish to buy our travel insurance are required to un-check the relevant option. In certain jurisdictions such as Australia, where consumer protection rules and regulations prohibit this format of marketing to customers, we have tailored the presentation of our products in compliance with the relevant rules and regulations. In the event new regulations arise in the other jurisdictions in which our travel insurance is available to customers of AirAsia restricting the manner in which we currently sell our insurance products, our business and results of operations may be materially and adversely affected.

We are currently granted permission to market to customers of AirAsia and Tune Hotels through our respective agreements with AirAsia and Tune Hotels. Concurrently, we grant our local life insurance partners permission to market to customers of AirAsia and Tune Hotels. However, we are subject to data privacy laws, rules and regulations that regulate the use of customer data. Compliance with these laws, rules and regulations may restrict our business activities, require us to incur increased expense and devote considerable time to compliance efforts. For example, data privacy laws, rules and regulations could limit our ability to leverage our large customer base to develop cross-selling opportunities. Applicable data privacy laws, rules and regulations could also adversely impact our distribution channels, such as direct marketing, and limit our ability to use third-party firms in connection with customer data.

Certain of these laws, rules and regulations are relatively new and their interpretation and application remain uncertain. Data privacy laws, rules and regulations are also subject to change and may become more restrictive in the future. Changes in data privacy laws, rules and regulations could have a material adverse effect on our business, financial condition and results of operations.

(xvix) We may need additional capital in the future, and we cannot assure you that we will be able to obtain such capital on acceptable terms or at all

We may require additional capital in the future in order for us to meet regulatory capital adequacy requirements, remain competitive, enter new businesses, pay operating expenses, conduct investment activities, meet our liquidity needs, expand our base of operations and offer new products and services. To the extent our existing sources of capital are not sufficient to satisfy our needs, we may have to seek external sources. Our ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- our ability to obtain the necessary regulatory approvals on a timely basis;
- any tightening of credit markets (such as what occurred in 2008) and general market conditions for debt and equity raising activities by insurance companies and other financial institutions; and
- economic, political and social conditions in Malaysia and elsewhere.

We cannot assure you that we will be able to obtain additional capital in a timely manner or on acceptable terms, if at all. Future debt financing could include terms that restrict our financial flexibility or restrict our ability to manage our business freely. Furthermore, the terms and amount of any additional capital raised through issuances of equity securities may result in significant dilution to our shareholders' equity interests.

(xx) Our business and prospects may be materially and adversely affected if we are not able to manage our growth successfully

The travel and general insurance market in the Asia-Pacific region has experienced significant growth in recent years. Management of our growth to date has required significant management and operational resources and is likely to continue to do so. We intend to expand our business and operations, and the successful management of any such future growth will require, among other things:

- the continued development of adequate underwriting and claim handling capabilities and skills;
- stringent cost controls;
- sufficient capital base;
- the continued strengthening of financial and management controls and information technology systems;
- increased marketing and sales activities; and
- the hiring and training of new employees and agents.

We cannot assure you that we will be successful in managing future growth. In particular, we may have difficulties in hiring and training sufficient numbers of customer service personnel and agents to keep pace with any future growth in the number of our customers. In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate any future growth. If we are not able to manage future growth successfully, our business and prospects may be materially and adversely affected.

(xxi) Our operations could be disrupted by unexpected network interruptions caused by system failures, natural disasters, terrorist attacks, unauthorised tampering or security breaches of our information technology systems

On 1 August 2012, we acquired our key online insurance software, TIPG, from TMSB, which allows AirAsia customers to access through the internet, to query, book and purchase our Travel Protection Plan. Our business, particularly the operations of TIMB, depends heavily on the ability of our information technology systems to process on a timely basis a large number of transactions across different geographical markets and numerous product lines. In particular, transaction processes have become increasingly complex and the volume of transactions continues to grow. The proper functioning of our financial controls, accounting, customer database, customer service and other data processing systems, including those relating to underwriting and claims processing functions, together with the communications systems linking our headquarters, local operating units and main information technology centres, is critical to our operations and to our ability to compete effectively. In addition, any failure of information technology in AirAsia or our local insurance partners could also affect the integration of our system and ultimately affects potential customers from buying our Travel Protection Plan.

Although we maintain a network of disaster recovery facilities designed to be activated in place of primary facilities in the event of failure, we cannot assure you that our business activities would not be materially disrupted in the event of a partial or complete failure of any of these or other information technology or communications systems. These failures could be caused by, among other things, software bugs, computer virus attacks, conversion errors due to system upgrading, failure to successfully implement ongoing information technology initiatives, power failure, natural disasters such as earthquakes and floods, war, terrorist attack and unanticipated problems at our existing and future facilities. A failure of our information technology or communications systems could damage our reputation and have a material adverse effect on our business, financial condition and results of operations.

(xxii) Fluctuations in exchange rates may have a material adverse effect on our business since we receive revenue and expense corresponding commissions in a variety of currencies

Our financial statements are presented in Malaysian Ringgit. Because of the geographic diversity of our business, we receive revenue and expense corresponding commissions in a variety of currencies, such as Malaysian Ringgit, Thai Baht, Indonesian Rupiah and Singapore Dollar. Since mid-1997, a number of Asian currencies, such as the Thai Baht and the Indonesian Rupiah, have experienced significant volatility and depreciation, particularly during the Asian economic crisis. We have not entered into any hedging contracts to hedge fluctuations in exchange rates. Such volatility in the value of local currencies can cause fluctuations in our results of operations and could have a material adverse effect on us.

BNM has in the past intervened in the foreign exchange market to stabilise the Malaysian Ringgit including on 2 September 1998, setting a fixed exchange rate of RM3.80 to USD1.00. However, there can be no assurance that BNM will, or would be able to so intervene or maintain the fixed exchange rate in the future or that any such intervention or fixed exchange rate would be effective. There can be no assurance that the Government of Malaysia will not impose more restrictive or other foreign exchange controls.

4.2 RISKS RELATING TO OUR INDUSTRY

(i) We face significant competition and our business and prospects will be materially harmed if we are not able to compete effectively

We face significant competition in all of the geographical markets where our insurance products are available for end consumers. Our ability to compete is based on a number of factors, including existing relationships with AirAsia and the Tune Companies, premiums charged and other terms and conditions of coverage, product features, services provided, distribution capabilities, scale, experience, commission structure, brand strength and name recognition, information technology and actual or perceived financial strength. Our competitors include travel agents and general insurance companies and non-insurance financial institutions such as banks, mutual fund companies and investment management firms. Some of these companies have greater financial, management and other resources than we do, may have more established operating experience than us and may be able to offer a broader range of products and services than us. In addition, in certain of our markets, domestic insurance companies may benefit from different regulations or licensing requirements that may give them a competitive advantage. Consolidation, including acquisitions of insurance and other financial services companies in the Asia-Pacific region, could result in additional competitors with strong financial resources, marketing and distribution capabilities and brand identities. The increased competitive pressures resulting from these and other factors may materially harm our business and prospects, as well as materially reduce our profitability and prospects by, among other things:

- reducing our market share in the geographical markets in which we derive revenue from;
- decreasing our margins and spreads;
- reducing the growth of our customer base;
- increasing our policy acquisition costs;
- increasing our operating expenses, such as sales and marketing expenses; and
- increasing turnover of management and sales personnel, including agents.

(ii) The rate of growth of the air-travel industry, travel insurance and general insurance industries in the Asia-Pacific region may not be as higb or as sustainable as we anticipate

The rate of growth of the air-travel industry, travel insurance and general insurance industries in the Asia-Pacific region may not be as high or as sustainable as we anticipate. In particular, the air-travel industry, travel insurance and general insurance industries in the Asia-Pacific region may not expand, and a low penetration rate in a given market does not necessarily mean that a market has growth potential or that we will succeed in increasing our penetration into that market. Our Travel Protection Plan leverages on the growth of the air-travel industry, therefore the continued viability of the air-travel industry is critical to our future success. Our AA Lifestyle Protection Plan is also indirectly dependent on the air-travel industry and the customers of AirAsia. It is, however, difficult to predict the prospects of the air-travel industry. A decrease in demand for air-travel may consequently affect the growth of our travel insurance business and this could have a material adverse effect on our financial position and results of operations. The growth and development of the air-travel, insurance and general insurance industries in the Asia-Pacific region are subject to a number of industry trends and uncertainties that are beyond our control.

The travel insurance and general insurance markets as well as our customers' preferences are constantly evolving. Notwithstanding an increase in air-travel, such travellers might not purchase travel insurance. As a result, we must continually respond to changes in these markets and customer preferences to remain competitive, grow our business and maintain market share in the geographical markets in which our revenue are derived. An inability to successfully offer our products to the market would materially impair the viability of our business. Accordingly, our future success will depend on our ability to adapt to changing customer preferences, industry standards and new product offerings and services. Any inability to adapt to these changes would have a material adverse effect on our business, financial condition and results of operations.

(iii) Government measures and regulations in response to financial and other crises may materially and adversely affect our business

In 2008, global financial and credit markets experienced extraordinary levels of volatility and disruption, putting downward pressure on financial and other asset prices generally and on credit availability. In response, governments and governmental and regulatory bodies in numerous jurisdictions have taken, and may continue to take, various measures in response to the problems faced by financial institutions, including insurance companies. These measures have included increased regulatory scrutiny of, as well as restrictions on, the business and operations of certain financial institutions. These measures, and related laws, rules and regulations may change from time to time and we cannot assure you that future legislative or regulatory changes would not have a material adverse effect on our business, financial condition and results of operations. In addition, there can be no assurance that actions of governmental and regulatory bodies taken for the purpose of stabilising capital markets and certain companies will achieve their intended effect or will resolve the credit or liquidity issues of affected companies.

(iv) Changes in taxation law or exchange controls may materially and adversely affect our business, financial condition and results of operations

Our business and operations are subject to tax laws and regulations. Changes in tax laws, tax regulations or interpretations of such laws or regulations may have a material adverse effect on our business, financial condition and results of operations. Such changes also could materially reduce the sales of certain of our products. For example, an increase in corporate tax rates could increase the amounts of tax that we pay as well as our withholding tax. We cannot predict whether any tax laws or regulations impacting corporate taxes or insurance products will be enacted, what the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have a material adverse effect on our business, financial condition and results of operations.

Any imposition, variation or removal of exchange controls may lead to less independence in the Government's conduct of its domestic monetary policy and increased exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets. Consequently, this may adversely affect the value of our Shares and any dividends payable thereon and the ability of shareholders to liquidate our Shares or repatriate the proceeds from the liquidation of such Shares out of Malaysia.

(v) Any outbreak of infectious disease or fear of an outbreak, or any other serious public health concerns in Southeast Asia or elsewhere may have an adverse effect on the economies of certain Southeast Asian countries and may adversely affect us

The outbreak of an infectious disease in Southeast Asia or elsewhere or fear of an outbreak, together with any resulting travel restrictions or quarantines, could have a negative impact on the economy and business activity and thereby adversely affect our revenue. Examples are the outbreak in 2003 of SARS, the outbreak in 2004 and 2005 of Avian influenza, or "bird flu", in Asia and the outbreak in 2009 of the Influenza A (H1N1) virus.

An outbreak of avian flu, SARS, the Influenza A (H1N1) virus or another contagious disease or the measures taken by the governments of affected countries, including Indonesia, against such potential outbreaks, could seriously interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects. The perception that an outbreak of avian flu, SARS, the Influenza A (H1N1) virus or another contagious disease may occur may also have an adverse effect on the economic conditions of countries in Southeast Asia and thereby adversely affect our business, financial condition, results of operations and prospects.

4.3 RISKS RELATING TO AN INVESTMENT IN OUR SHARES

(i) We are controlled by TMSB and AirAsia Berhad, whose interests may not be aligned with those of our other sbareholders

Upon the successful completion of our Listing, TMSB will own 55.85% (51.66%, if the Over-Allotment Option is fully exercised) and AirAsia Berhad will own 16.19% of our enlarged and issued paid-up share capital and will be our major shareholders. As our major shareholders, other than in respect of certain votes regarding matters in which they are interested parties and must abstain from voting under the Listing Requirements, TMSB and AirAsia Berhad will be able to influence the approval of any corporate proposal or transaction requiring a shareholders' resolution under the Act. This includes the approval of all final dividends and the appointment of directors and delaying or preventing a change in control of our Company, even if such transactions would be beneficial to our other shareholders. In addition, TMSB and AirAsia Berhad and their affiliates may seek to influence our business or operations decisions. We cannot assure you that the interests of TMSB and AirAsia Berhad will be aligned with those of our other shareholders. In addition our dependence on AirAsia for a substantial portion of our business may create conflicts of interest as we seek to expand our business and provide our travel insurance product to other airlines.

After the completion of our IPO, we will continue to engage in transactions with AirAsia and the Tune Companies. Although our Audit and Risk Committee will review all material transactions between us and AirAsia and/or TMSB, circumstances may arise in which the interests of AirAsia and/or TMSB could conflict with our interests or the interests of our other shareholders.

(ii) The pro forma financial information contained in this Prospectus may not accurately reflect our past, present and future financial position, results of operations and cash flows, in particular since the pro forma historical financial information would not reflect what might have occurred had our Group and TIMB actually been combined during the periods presented

The pro forma financial information for FY2009, FY2010 and FY2011, and 9M2011 and 9M2012 included elsewhere in this Prospectus has been prepared on the basis that the formation of our Group (including the acquisition of TIMB by our Group) occurred as at 27 March 2009 (being the date of incorporation of TIL). As the pro forma financial information is prepared for illustrative purposes only, such information, because of its nature, may not give a true picture of the effects of the formation of our Group on the financial position, results of operations or cash flows of our Group had the transactions or events actually occurred on the stated date of such pro forma financial information. In particular, the pro forma financial information would not reflect any differences our management would have made to the TIMB business and financial position or any positive or negative effects that might have occurred had our Group and TIMB actually been combined during the periods presented. Further, such information does not purport to predict our Group's future financial condition, results of operations, prospects or cash flows.

In addition, our pro forma financial information includes one-off events that may not be indicative of our future results. The results of our operations in FY2012 will be negatively affected as we expect to incur finance costs, other operating expenses relating to the acquisition of TIMB and expenses relating to our Listing of approximately RM12.0 million, RM0.8million and RM3.6 million respectively. In addition, our pro forma results of operations in FY2011 were affected by a one-off adjustment of RM5.6 million in the fourth quarter of 2011 relating to TIMB with respect to a refinement in methodology for the expenses provision that is a component of the actuarial estimation of premium liabilities and claim liabilities, primarily resulting in write-back of the premium liabilities provision and ultimately resulting in a higher net profit for FY2011. We do not expect that a similar one-off adjustment will occur in the fourth quarter of 2012. We cannot assure you that there will not be other one-off events in the future that may affect our results of operations.

Furthermore, our pro forma results of operations in FY2011 were affected by a write-back of provision for claims arising from TIMB expediting the settling and closing of a significant number of older claims files. Although TIMB has continued the claims management strategy of expediting the settlement of claims in FY2012 and will continue this strategy in the future, we cannot assure you that there will be a significant write-back of provision for claims reflected in our pro forma results of operations in FY2012 or in future years.

As a result, your ability to understand our financial condition and results of operations or cash flows based on our historical consolidated financial statements or pro forma financial information may be limited.

(iii) There has been no prior market for our Shares and the offering of our Shares may not result in an active liquid market for our Shares

There has been no prior market for our Shares, and there is no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

Application has been made to Bursa Securities for our listing of, and quotation for, our enlarged and issued paid-up share capital on the Main Market of Bursa Securities. On 8 January 2013, we obtained the approval of Bursa Securities for our listing of, and quotation for, our enlarged and issued paid-up share capital on the Main Market of Bursa Securities, and it is expected that there will be an approximate 12-Market Day gap between the closing of our IPO and trading of our Shares. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities markets, our industry or us during this period that would adversely affect the market price of our Shares when they begin trading.

(iv) Our Share price may be volatile

The market price of our Shares could be affected by numerous factors, including:

- general market, political and economic conditions;
- trading liquidity of our Shares;
- differences in our actual financial and operating results and those expected by investors and analysts;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed shares in general or shares of companies comparable to ours;
- perceived prospects of our business and the travel insurance industry;
- changes in government policy, legislation or regulation; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Retail Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that have affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that are often unrelated to the operating performance of these companies. There is no assurance that the price and trading of our Shares will not be subject to fluctuations.

(v) There may be a delay in, or termination of, our Listing

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:

- we are unable to meet the minimum public spread requirement as determined by Bursa Securities; that is, having at least 25% of our issued and paid-up share capital in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point our Listing; or
- we are not able to obtain the approval of Bursa Securities for our Listing for whatever reason.

In such an event, investors will not receive any Shares, and we will be liable to return in full all monies paid in respect of any application for our Shares. If such monies are not paid within 14 days after we become liable to repay it, then, pursuant to sub-section 243(2) of the CMSA, we will become liable to repay the monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

In the event the Listing is aborted and our Shares have been allotted to the shareholders, a return of monies to all holders of our Shares could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

(vi) We may not be able to pay dividends

Our Company has disclosed our dividend policy in Section 2.3 of this Prospectus. As part of this policy, we target for a payout ratio of not less than 40% of our consolidated profit in each financial year beginning 1 January 2013, subject to any applicable law and provided that such distribution will not be detrimental to our Group's cash requirements.

This dividend policy merely describes our Company's present intention and shall not constitute legally binding statements in respect of our Company's future dividends. Dividend payments are not guaranteed, and our Board may decide, in its sole and absolute discretion, at any time and for any reason, to pay dividends less than the targeted payout ratio or not to pay dividends at all.

If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of the investment in our Shares may be reduced.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditures as well as our ability to make repayments on any borrowings we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, in the event we incur new borrowings subsequent to our Listing, we may be subject to covenants restricting our ability to pay dividends.

There is no assurance that we will be able to pay shareholders dividends out of distributable profits.

Furthermore, we are a holding company and conduct substantially all of our operations through our subsidiaries. Accordingly, dividends and other distributions received from our subsidiaries are our principal source of income. Consequently, the amount of these dividends and distributions are an important factor in our ability to pay dividends on our Shares (to the extent declared by our Board). The ability of our subsidiaries to pay dividends or make other distributions to us is subject to the availability of their distributable reserves and their having sufficient funds that are not needed to fund their operations, other obligations or business plans. Please also refer to Section 4.1(vi) - "Risks Relating to Our Business – Our business is highly regulated and compliance with current or future requirements may limit our growth or adversely affect our future business" of this Prospectus.

In particular, TIMB is a regulated insurer in Malaysia and may only pay dividends if it is able to meet the requirements specified in the Insurance Act or achieves a capital adequacy ratio that is satisfactory to BNM. In this regard, any variation to the capital adequacy ratio to be maintained by TIMB would affect its ability to declare dividends / distribute its reserves to TIH which would in turn affect TIH's ability to declare dividends, notwithstanding that overall group profitability / cashflow position may not be affected.

In addition, changes in applicable accounting standards may affect the ability of our subsidiaries and, consequently, our ability to declare and pay dividends. As we are a shareholder of our subsidiaries, our claims as a shareholder will generally rank junior to all claims of our subsidiaries' creditors and claimants, if any. In the event of a liquidation of a subsidiary, there may not be sufficient assets for us to recoup our investment in that entity.

(vii) The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following the offering and sale of up to 210,224,900 Shares, up to 27.96% of our Shares will be publicly held by investors participating in our Listing, while 419,858,080 Shares, or 55.85% (388,324,380 Shares, or 51.66%, if the Over-Allotment Option is fully exercised) of our issued and paid-up share capital, will be held directly by TMSB and 121,677,000 Shares, or 16.19% of our issued and paid-up share capital, will be held directly by AirAsia Berhad. Following our Listing, our Shares will be tradable on the Main Market of Bursa Securities without restriction. Our Shares may also be sold outside the United States, subject to the restrictions of Regulation S under the US Securities Act. We, the Offeror and AirAsia Berhad have entered into lock-up arrangements and our Promoters are subject to a moratorium in accordance with the SC's requirements.

However, notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares after the end of the lock-up period in connection with financing activities or otherwise, and it is possible that TMSB or AirAsia Berhad may dispose of some or all of their Shares after the lock-up period or moratorium period, as applicable, pursuant to their own investment objectives. If TMSB or AirAsia Berhad sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price for our Shares could be adversely affected.

(viii) Purchasers of our Shares in our Listing will experience immediate and substantial dilution because the Institutional Price and Final Retail Price are higher than our NAV per Share

The Institutional Price and Final Retail Price are higher than the NAV per Share. Therefore, purchasers of our Shares in our Listing will experience an immediate dilution in NAV of RM1.15 per Share assuming that the Institutional Price and Final Retail Price is RM1.55 and our existing shareholders will experience an increase in the NAV per Share.

In addition, should we elect to raise funds in the future through the issuance of new Shares, existing shareholders who do not or are unable to subscribe or participate in such fund raising exercises will experience a dilutive effect on their shareholdings.

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5.1 OUR HISTORY

We were incorporated under the Act on 14 June 2011 as a private limited company under the name of Tune Ins Holdings Sdn Bhd, and were subsequently converted to a public company on 17 August 2012 and assumed our present name to facilitate our listing on the Main Market of Bursa Securities.

We are an insurance product manager for our online partners (currently AirAsia, Tune Hotels and AirAsia Expedia) where we, amongst others, design and manage insurance products that will be sold to the customers of our online partners. Our subsidiaries are insurance providers or underwriters, directly and via reinsurance, of general and life insurance products across the Asia-Pacific region.

We operate two core businesses, an online insurance business through which insurance products are sold to customers as part of their online booking process with our online partners, and an other general insurance business, currently only in Malaysia, through our 83.26%-owned subsidiary, TIMB.

Our online insurance business comprises primarily our Travel Protection Plan but also includes other online insurance products as set out in Section 6.4.3 of the Prospectus, such as the AA Lifestyle Protection Plan and the Tune Hotels Lifestyle Protection Plan. We facilitated the issuance of approximately 5.6 million Travel Protection Plan policies to AirAsia customers in FY2011 and 6.0 million policies in FY2012 (4.3 million policies in 9M2012), primarily as reinsurers but also as underwriters, commencing in September 2012 through TIMB, which underwrote approximately 1.1 million of these policies. Our online insurance business is now underpinned by exclusive long-term agreements with AirAsia. In addition to our relationship with AirAsia, we have entered into a contractual arrangement with Tune Hotels and are considering entering into similar long-term arrangements with other partners within the Tune Companies.

As the exclusive insurance product manager for AirAsia and Tune Hotels, we design and manage both general and life insurance products for their customers pursuant to 10-year agreements with AirAsia Berhad, AirAsia Japan Co., Ltd and Tune Hotels (expiring in 2022), 15-year agreements (with certain other affiliates of AirAsia Berhad (namely PT Indonesia AirAsia, AirAsia X Berhad and AirAsia Inc, expiring in 2027) and a 5-year agreement with Thai AirAsia Co. Ltd (expiring in 2017). These arrangements provide us with the opportunity to market to AirAsia's and Tune Hotels' substantial pool of customers, in addition to our own extensive database. We utilise the distribution channels of both AirAsia and the Tune Hotels, primarily their respective online booking websites, to offer these products to their customers as part of their booking process. As part of our role as the insurance product manager, we arrange for local insurance partners in various countries and territories across the Asia-Pacific region that AirAsia (currently in 14 countries and territories, including Malaysia) and Tune Hotels (currently in Malaysia and Indonesia) operate in to underwrite these products. In accordance with these arrangements with local insurance partners, we, through our subsidiaries, reinsure a portion of the risk associated with the writing of each policy. Where necessary, in order to optimise our risk-adjusted returns and to manage our own underwriting exposure, we have external reinsurance arrangements with highly-rated global reinsurance companies, as well as with national reinsurers.

We believe that our exclusive relationship with AirAsia places us in a unique position to benefit from the growth in travel within the Asia-Pacific region and particularly the increasing number of AirAsia's customers.

TIL was incorporated on 27 March 2009 and is licensed to operate as an offshore captive insurer in Labuan. TIL was established as a 80:20 joint venture between TMSB and Multi-Purpose Capital Holdings Berhad with the primary purpose of reinsuring general insurance underwritten by Multi-Purpose Insurans Bhd, a wholly-owned subsidiary of Multi-Purpose Capital Holdings Berhad. Multi-Purpose Insurans Bhd is an insurance provider that, through a contractual relationship with AirAsia, negotiated agreements with local insurance partners outside Malaysia on AirAsia's behalf with respect to AirAsia's travel insurance, and underwrote such policies in Malaysia prior to 3 September 2012. Multi-Purpose Insurans Bhd also provided certain management functions to us in FY2009 and FY2010.

TMGR and TMLR were incorporated on 10 February 2011 and 6 April 2011 respectively as wholly-owned subsidiaries of TMSB. On 26 May 2011, TMGR obtained a licence to carry on Labuan general reinsurance business in, from or through Labuan and on 15 June 2011, TMLR was issued a licence to carry on Labuan life reinsurance business in, from or through Labuan.

Our Company was subsequently established in June 2011 and we acquired TIL, TMGR and TMLR from TMSB in October 2011 to consolidate our insurance business. With the acquisitions and the introduction of our new management at the end of 2010 and the beginning of 2011, we took over many of the management functions previously provided by Multi-Purpose Insurans Bhd to us.

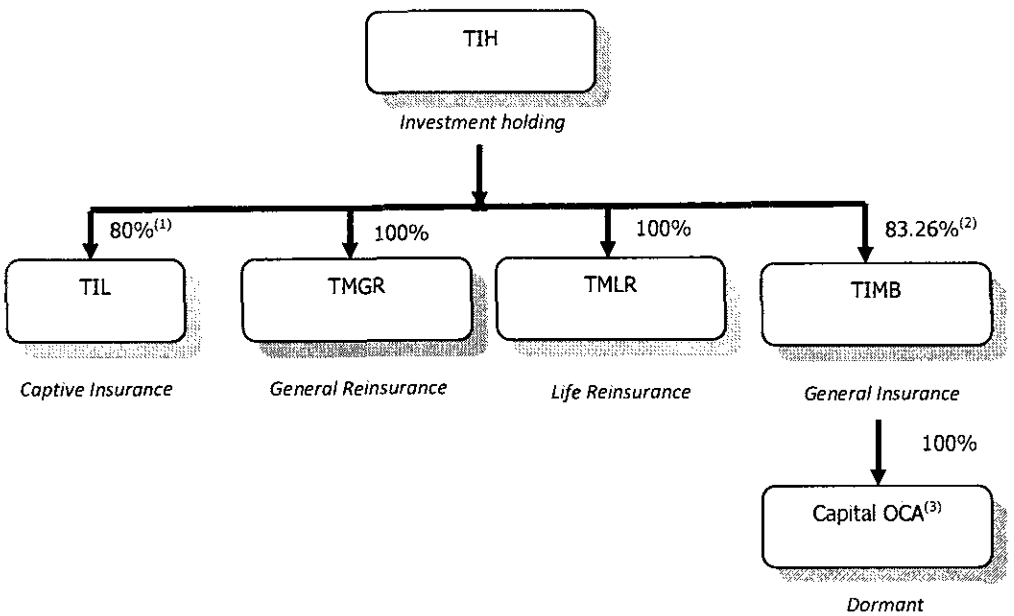
In May 2012, we acquired an established Malaysian general insurance business, TIMB, which has approximately 1,000 agents and 15 branches throughout Malaysia as at the LPD and through which we carry out our other general insurance business. This acquisition enables us (through TIMB) to, in addition to our role as an insurance product manager for our online partners, undertake the role as an insurance provider and underwrite general insurance policies directly in Malaysia, as well as to offer a broader range of insurance products. Following our acquisition of TIMB, AirAsia terminated their agreement with Multi-Purpose Insurans Bhd, and the termination took effect on 3 September 2012.

Pursuant to the AA Distribution Agreements, we are the exclusive insurance product manager for AirAsia and effective 4 September 2012, our subsidiary, TIMB, underwrites the Travel Protection Plan directly in Malaysia.

We currently conduct the underwriting of our general and life reinsurance business across the Asia-Pacific region through TMGR and TMLR. We have also channelled our business previously conducted through TIL to TMGR.

We are actively pursuing acquisition targets in other Southeast Asia markets, specifically Indonesia and Thailand, to enable us to own general insurers in these markets and through which we can directly underwrite our online insurance business and offer products through other channels to these fast growing and sizeable markets whose insurance needs are under-served.

Our Group structure is as follows:



Notes:

(1) *The remaining 20% of the equity interest in TIL is held by Multi-Purpose Capital Holdings Berhad*
(2) *The remaining 16.74% of the equity interest in TIMB is held by the minority shareholders of TIMB*
(3) *To be dissolved as soon as the Listing is completed.*

5.2 SHARE CAPITAL

The present authorised share capital of our Company is RM150,000,000.00 comprising 1,500,000,000 ordinary shares of RM0.10 each, of which RM60,838,508.00 comprising 608,385,080 Shares are issued and credited as fully paid-up. Upon completion of our Public Issue, our issued and paid-up share capital will be increased to RM75,175,998.00 comprising 751,759,980 Shares. The changes in our issued and paid-up share capital since our incorporation are as follows:

Date of Allotment	No. of shares Allotted	Par Value RM	Consideration	Cumulative Total RM
14.06.2011	2	1.00	Subscribers' shares	2
05.10.2011	14,200,000	1.00	Otherwise than cash	14,200,002
31.10.2011	38,506	1.00	Otherwise than cash	14,238,508
04.10.2012	142,385,080	0.10	Subdivision of shares par value from RM1.00 to RM0.10	14,238,508
04.10.2012	466,000,000	0.10	Capitalisation of shareholder's loan	60,838,508

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

5.3 SUBSIDIARY COMPANIES

5.3.1 TIL (Company No.: LL06997)

(i) History and Business

TIL was incorporated on 27 March 2009 in the Federal Territory of Labuan, Malaysia as a company limited by shares under the Offshore Companies Act, 1990 and began its operations in the same year. TIL is licensed to operate as an offshore captive insurer in Labuan.

(ii) Share Capital

TIL does not have an authorised share capital. The issued and paid-up capital of TIL is USD143,000.00 comprising of 143,000 ordinary shares. The changes in the issued and paid-up share capital of TIL since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares Allotted	Issue Price USD	Consideration	Cumulative Total USD
27.03.2009	100	1	Subscribers' shares	100
29.06.2009	142,900	1	Cash	143,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in TIL. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(iii) Shareholders and Directors

As at the LPD, TIL is our 80% owned subsidiary company and the remaining 20% equity interest in TIL is held by Multi-Purpose Capital Holdings Berhad. As at the LPD, the Directors of TIL are Kheoh And Yeng, Peter Dixon Miller, Fazlin Binti Abu Hassan Shaari, Karena Fernandes and Chan Yee Ngor.

(iv) Subsidiary and Associated Companies

As at the LPD, TIL does not have any subsidiary or associated company.

5.3.2 TMGR (Company No.: LL08072)

(i) History and Business

TMGR was incorporated on 10 February 2011 in the Federal Territory of Labuan, Malaysia as a company limited by shares under the Labuan Companies Act, 1990 and began its operations in the same year. TMGR is licensed to carry on Labuan general reinsurance business in, from or through Labuan.

(ii) Share Capital

TMGR does not have an authorised share capital. The issued and paid-up capital of TMGR is USD3,207,288.00 comprising of 3,207,288 ordinary shares. The changes in the issued and paid-up share capital of TMGR since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares Allotted	Issue Price USD	Consideration	Cumulative Total USD
10.02.2011	1	1	Subscriber's share	1
12.09.2012	3,207,287	1	Cash	3,207,288

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in TMGR. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(iii) Shareholders and Directors

As at the LPD, TMGR is our wholly-owned subsidiary company and its Directors are Peter Dixon Miller and Fazlin Binti Abu Hassan Shaari.

(iv) Subsidiary and Associated Companies

As at the LPD, TMGR does not have any subsidiary or associated company.

5.3.3 TMLR (Company No.: LL08176)

(i) History and Business

TMLR was incorporated on 6 April 2011 in the Federal Territory of Labuan, Malaysia as a company limited by shares under the Labuan Companies Act, 1990 and began its operations in the same year. TMLR is licensed to carry on life reinsurance business in, from or through Labuan.

(ii) Share Capital

TMLR does not have an authorised share capital. The issued and paid-up capital of TMLR is USD3,207,288.00 comprising 3,207,288 ordinary shares. The changes in the issued and paid-up share capital of TMLR since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares Allotted	Issue Price USD	Consideration	Cumulative Total USD
06.04.2011	1	1	Subscriber's share	1
12.09.2012	3,207,287	1	Cash	3,207,288

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in TMLR. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(iii) Shareholders and Directors

As at the LPD, TMLR is our wholly-owned subsidiary company and its Directors are Peter Dixon Miller and Fazlin Binti Abu Hassan Shaari.

(iv) Subsidiary and Associated Companies

As at the LPD, TMLR does not have any subsidiary or associated company.

5.3.4 TIMB (Company No.: 30686-K)

(i) History and Business

TIMB was incorporated in Malaysia on 27 December 1976 as a private limited company under the Act as United Oriental Assurance Sdn Bhd and began its operations in 1977. It was converted to a public limited company on 1 August 1997 and assumed the name United Oriental Assurance Berhad. On 31 January 2003, it changed its name to Oriental Capital Assurance Berhad and subsequently on 21 September 2012, changed its name to its current name, Tune Insurance Malaysia Berhad. TIMB is principally involved in underwriting all classes of general insurance in Malaysia.

(ii) Share Capital

TIMB's present authorised share capital is RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each, of which RM100,013,218 comprising 100,013,218 ordinary shares of RM1.00 each are issued and credited as fully paid-up. There have been no changes in the issued and paid-up share capital of TIMB for the last three years preceding the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in TIMB. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(iii) Shareholders and Directors

As at the LPD, TIMB is our 83.26%-owned subsidiary company and the remaining 16.74% of the equity interest in TIMB is held by the minority shareholders of TIMB. As at the LPD, the Directors of TIMB are Ng Soon Lai @ Ng Siek Chuan, Peter Dixon Miller, Chee Siew Eng, Mohd Yusof Bin Hussian and Ooi Say Teng.

(iv) Subsidiary and Associated Companies

As at the LPD, TIMB has one subsidiary company, Capital OCA, and does not have any associated company.

(v) Acquisition by TIH

On 23 April 2012, TIH had entered into the following:

(a) share sale agreement with Maika Holdings Berhad and G Team Resources & Holding Sdn Bhd; and

(b) share sale agreement with Gryss Holdings Sdn Bhd,

for the acquisition of an aggregate of 79,849,874 ordinary shares of RM1.00 each, representing 79.84% of the total issued and paid-up share capital of TIMB at the total purchase consideration of RM156,905,002.41 (representing RM1.965 for each ordinary share of RM1.00 acquired) ("**Acquisition**").

The purchase consideration of RM1.965 per ordinary share of RM1.00 acquired represents:

(i) a PE multiple of 19.28 times based on the audited consolidated EPS of TIMB for FY2010 of 10.19 sen;

(ii) a PE multiple of 7.49 times based on the audited consolidated EPS of TIMB for the FY2011 of 26.25 sen;

(iii) a price to book ratio ("**PBR**") of 1.46 times based on the audited consolidated net tangible assets ("**NTA**") per ordinary share of RM1.00 each of TIMB as at 31 December 2010 of RM1.35; and

(iv) a PBR of 1.21 times based on the audited consolidated NTA per ordinary share of RM1.00 each of TIMB as at 31 December 2011 of RM1.62.

The Acquisition was undertaken as part of TIH's regional business plan to strengthen its insurance platform in the industry locally and regionally while providing TIMB with an avenue to underwrite the insurance business of the Tune Companies and its partners.

The Acquisition was completed in May 2012. Following the Acquisition and pursuant to the provisions of the Malaysian Code on Take-Overs and Mergers, 2010, TIH made a mandatory general offer for all the remaining shares in TIMB from its minority shareholders at the offer price of RM1.965 per ordinary share of RM1.00 each, being the price per share paid by TIH under the Acquisition.

The mandatory general offer closed on 9 July 2012 and TIH now holds 83.26% in TIMB.

5.3.5 Capital OCA (Company No.: 10393-D)

(i) History and Business

Capital OCA was incorporated in Malaysia on 10 February 1971 as a public limited company under the Act as Asia Insurance Berhad, and began its operations in underwriting of all classes of general insurance in Malaysia in the same year. On 12 January 1973, it changed its name to Capital Insurance Bhd.

On 1 November 2002, Capital OCA was acquired by TIMB (then known as United Oriental Assurance Berhad). Within the same year, Capital OCA transferred its underwriting of all classes of general insurance business to its holding company, namely TIMB and became dormant.

Upon acquisition by TIMB, Capital OCA was required to surrender its insurance license and therefore is not allowed to have the word "Insurance" in its name. Hence, Capital OCA assumed its current name on 21 March 2003.

We intend to dissolve Capital OCA in the near future, and such process will commence as soon as the Listing is completed.

(ii) Share Capital

Capital OCA's present authorised share capital is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each, of which RM2.00 comprising two ordinary shares of RM1.00 each are issued and credited as fully paid-up. There have been no changes in the issued and paid-up share capital of Capital OCA for the last three years preceding the LPD.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Capital OCA.In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(iii) Shareholders and Directors

As at the LPD, Capital OCA is a wholly-owned subsidiary company of TIMB and its Directors are Peter Dixon Miller, Fazlin Binti Abu Hassan Shaari and Karena Fernandes.

(iv) Subsidiary and Associated Companies

As at the LPD, Capital OCA does not have any subsidiary or associated company.

5.4 CAPITAL EXPENDITURE AND DIVESTITURES

We have not incurred any material capital expenditures and divestitures in FY2009 to FY2011 and up to the LPD.

There are no divestitures currently in progress, within or outside Malaysia. For planned material capital expenditures, please refer to Section 11.10 - "Capital Expenditure" of this Prospectus.

5.5 KEY ACHIEVEMENTS AND MILESTONES

The following are some of our Group's key achievements and milestones:

Year	Key achievements and milestones
2009	Commenced business via TIL to reinsure travel protection plans in Malaysia, Thailand, Indonesia, Singapore, China and Macau
	4.1 million policies reinsured by us
2010	Commenced reinsuring travel protection plans in Hong Kong and Australia
	Successfully enhanced the Travel Protection Plan with the addition of a two-hour flight delay benefit
	Restructured insurance business by hiring more experienced executives to build a more profitable business
	4.9 million policies reinsured by us

Year	Key achievements and milestones
2011	Commenced reinsuring travel protection plans in the Philippines, Cambodia, Laos, Vietnam and New Zealand
	Continued process of hiring experienced executives
	Expanded geographical coverage for our online travel insurance business to a total of 13 countries and territories (including Hong Kong and Macau as individual markets)
	Started TIH and established TMGR and TMLR as full-fledged Labuan reinsurers to maximise retention within our Group and increase profitability
	Commenced direct marketing channel offering AirAsia's customers and Tune Hotels' guests lifestyle protection plan providing long-term protection against accident, hospitalisation, death and critical illness
	Integrated insurance into the mobile application of AirAsia to enable customers of AirAsia to purchase travel insurance via mobile
	Set up a dedicated customer experience team to manage all insurance related enquiries from customers of AirAsia
	5.6 million policies reinsured by us
	Started life insurance business in Indonesia and Malaysia via telemarketing channel supported by Electronic Direct Marketing and SMS
2012	Commenced reinsuring travel protection plans in Japan and India and expanding geographical coverage for our online travel insurance business to a total of 14 countries and territories
	Further enhanced the online capabilities to offer travel insurance coverage for the "fly-thru" option offered by AirAsia to provide comprehensive protection to meet airlines cross-sector convenience
	Acquired TIMB to directly underwrite general insurance in Malaysia, including the Travel Protection Plans
	Entered into arrangements with AirAsia Expedia
	6.0 million policies reinsured by us for FY2012
	Achieved annualised first year premiums of RM27.0 million from life insurance business
	Integrated insurance into the "AirAsia Simplified WAP" application thereby enabling customers of AirAsia to purchase travel insurance via tablet and mobile

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6. BUSINESS OVERVIEW

6.1 OVERVIEW

We are an insurance product manager for our online partners (currently AirAsia, Tune Hotels and AirAsia Expedia) where we, amongst others, design and manage insurance products that will be sold to the customers of our online partners. Our subsidiaries are insurance providers or underwriters, directly and via reinsurance, of general and life insurance products across the Asia-Pacific region.

We operate two core businesses, an online insurance business through which insurance products are sold to customers as part of their online booking process with our online partners, and an other general insurance business, currently only in Malaysia, through our 83.26%-owned subsidiary, TIMB.

Our online insurance business comprises primarily our Travel Protection Plan but also includes other online insurance products as set out in Section 6.4.3 of the Prospectus, such as the AA Lifestyle Protection Plan and the Tune Hotels Lifestyle Protection Plan. We facilitated the issuance of approximately 5.6 million Travel Protection Plan policies to AirAsia customers in FY2011 and 6.0 million policies in FY2012 (4.3 million policies in 9M2012), primarily as reinsurers but also as underwriters, commencing in September 2012 through TIMB, which underwrote approximately 1.1 million of these policies. Our online insurance business is now underpinned by exclusive long-term agreements with AirAsia. In addition to our relationship with AirAsia, we have entered into a contractual arrangement with Tune Hotels and are considering entering into similar long-term arrangements with other partners within the Tune Companies.

As the exclusive insurance product manager for AirAsia and Tune Hotels, we design and manage both general and life insurance products for their customers pursuant to 10-year agreements with AirAsia Berhad, AirAsia Japan Co., Ltd and Tune Hotels (expiring in 2022), 15-year agreements with certain other affiliates of AirAsia Berhad (namely PT Indonesia AirAsia, AirAsia X Berhad and AirAsia Inc, expiring in 2027) and a 5-year agreement with Thai AirAsia Co. Ltd (expiring in 2017). These arrangements provide us with the opportunity to market to AirAsia's and Tune Hotels' substantial pool of customers, in addition to our own extensive database. We utilise the distribution channels of both AirAsia and the Tune Hotels, primarily their respective online booking websites, to offer these products to their customers as part of their booking process. As part of our role as the insurance product manager, we arrange for local insurance partners in various countries and territories across the Asia-Pacific region that AirAsia (currently in 14 countries and territories, including Malaysia) and Tune Hotels (currently in Malaysia and Indonesia) operate in to underwrite these products. In accordance with these arrangements with local insurance partners, we, through our subsidiaries, reinsure a portion of the risk associated with the writing of each policy. Where necessary, in order to optimise our risk-adjusted returns and to manage our own underwriting exposure, we have external reinsurance arrangements with highly-rated global reinsurance companies, as well as with national reinsurers.

We believe that our exclusive relationship with AirAsia places us in a unique position to benefit from the growth in travel within the Asia-Pacific region and particularly the increasing number of AirAsia's customers. According to S-A-P, international tourism in Asia-Pacific has increased significantly from 2010 to 2011 and the Asia-Pacific region grew at a higher rate than any other region (6.2%), and within Asia-Pacific, Southeast Asia grew at the highest rate (10.4%). Further, S-A-P expects that based on AirAsia's success in growing its aviation business over the last few years and its plans for significant fleet expansion, with orders for delivery of 211 Airbus A320-CEOs and another 264 Airbus A320-NEOs between 2016 and 2026, AirAsia will continue its growth in existing and new markets as opportunities become available.

In addition to our relationships with AirAsia and Tune Hotels, we have also entered into arrangements with AirAsia Expedia to provide our insurance products to AirAsia Expedia customers making online bookings initially through three of their websites in Asia. Further, we are in discussions with other third party airlines and other potential partners to provide similar services to their online booking customers.

In May 2012, we acquired an established Malaysian general insurance business, TIMB, which has approximately 1,000 agents and 15 branches throughout Malaysia as at the LPD and through which we carry out our other general insurance business. This acquisition enables us (through TIMB) to, in addition to our role as an insurance product manager for our online partners, undertake the role as an insurance provider and underwrite general insurance policies directly in Malaysia, as well as to offer a broader range of insurance products. We are actively pursuing acquisition targets in other Southeast Asia markets, specifically Indonesia and Thailand, to enable us to own general insurers in these markets and through which we can directly underwrite our online insurance business and offer products through other channels to these fast growing and sizeable markets whose insurance needs are under-served.

Our operating revenues were approximately RM30.0 million in FY2009, RM43.5 million in FY2010 and RM55.9 million in FY2011, having grown at a CAGR of 36.5% from FY2009 to FY2011. Our pro forma operating revenues (reflecting the TIMB Acquisition) were approximately RM319.3 million in FY2011 and RM249.9 million in 9M2012.

6.2 OUR KEY COMPETITIVE STRENGTHS

6.2.1 Exclusive relationship with AirAsia across the region

We manage AirAsia's insurance business on an exclusive basis pursuant to the AA Distribution Agreements, which allow us to market to their customers and leverage their strong branding to exclusively sell our Travel Protection Plan, the "AirAsia INSURE Travel Protection Plan", to their customers, as part of their online ticket purchase process. According to AirAsia Berhad's annual report for FY2011, AirAsia carried approximately 29.8 million passengers, of which 21.7 million were in the markets we offer travel insurance and of which 26.49% were covered by our Travel Protection Plan. As well as being offered as part of customers' online booking process when they plan to travel on AirAsia, our Travel Protection Plan is also available through selected travel agents in Malaysia and Indonesia. As part of the process that customers undertake when purchasing a ticket, customers must decide whether or not to purchase our Travel Protection Plan. Without the incremental cost of approaching customers to buy our travel insurance products on a stand-alone basis, we are able to offer our products very competitively relative to discrete insurance products that customers could purchase, and we believe the ease and lower cost makes our products very attractive to AirAsia's customers.

Consequently we are well-positioned to benefit from growth in intra-Asian travel in general, as well as the strong historical and future growth in AirAsia's customer volumes. According to S-A-P, aviation traffic is growing along with the economic and population growth occurring in Asia. We believe that AirAsia will continue to pursue strong growth in customer volumes. In particular, AirAsia Berhad has launched two new joint ventures in the Philippines (March 2012) and Japan (August 2012) in order to expand its fleet, increase route frequency and add new routes. We believe that any growth in AirAsia's customer volumes in the countries in which we now offer our travel insurance products will allow us to increase our revenues with minimal additional cost. According to S-A-P, from 2001 to 2011, "revenue-passenger-kilometre" in the Asia-Pacific region grew 92.1% while during the same period, it grew 69.2% in Europe. Asia-Pacific region passenger traffic, as measured in "revenue-passenger-kilometre", has surpassed that of North America in 2011. "Revenue-passenger-kilometres" in the Asia-Pacific region is expected to experience strong growth rate from 2011 to 2030 at a CAGR of 7.0% continuing to be one of the fastest growing regions in the world long term. Southeast Asia is one of the world's most dynamic regions for air travel. "Revenue-passenger-kilometres" within Southeast Asia is projected to grow at a CAGR of 7.4% from 2011 to 2030.

6.2.2 Proven business model that can be replicated for other products and/or in new markets in the region

We believe our core online insurance product offering, which we initially offered with AirAsia, is transferable to any provider that uses online means to distribute their products, and whose offering would be complemented by the cross-selling of our insurance products. Our opportunity to market to customers of AirAsia is assured through exclusive long-term arrangements. A key element to the success of our online insurance business model are the established relationships we have with local insurance partners, particularly in our key markets of Indonesia, Thailand, Singapore and China (including Hong Kong and Macau). These relationships allow our local partners to offer their products to such secured customers pursuant to our exclusive long-term distribution arrangements, and then allow us, through our reinsurance model to assume a portion of underwriting risk and consequential revenue from each sale. See Section 6.1 – "Overview" of this Prospectus.

As a result, we have successfully entered into similar exclusive arrangements with Tune Hotels, whereby we offer exclusive tailored insurance products for customers of hotels operated by Tune Hotels. We have also benefited from opportunities to sell our products through other AirAsia business ventures and continue to seek opportunities to enter into similar arrangements with these companies. For example, we have also entered into an agreement with AirAsia Expedia to market and cross-sell our general insurance products through three of AirAsia Expedia's websites in Asia, thereby substantially increasing our potential customer reach.

According to S-A-P, in 1996, less than 1% of all airline tickets were sold online. As of 2010, approximately 50% of airline ticket sales were made through airline websites. Over a third of online ticket sales were booked through online travel agency sites such as Expedia, Travelocity, Orbitz, and Zuji. Similar to the AirAsia ticket purchase process, users of such web portals will be able to acquire our insurance products as part of their ticket purchase process. Additionally stand alone insurance products will also be available via AirAsia Expedia's websites. We are also progressing opportunities to enter into similar arrangements with independent third party providers, whereby we would be able to offer them a similar business model, generating incremental revenue from their existing captive customer base.

We believe that our business model, which incorporates the core elements of a captive customer base, predetermined and fixed long term revenue model, low operating costs and local insurance representation across key Asian markets, is attractive to our potential partners, as well as being difficult to replicate and providing a barrier to entry. As a result, we believe that this business model, coupled with our experience and proprietary technology can be utilised to the sale of other insurance products, extended to additional countries and replicated with other partners, including other airline operators.

6.2.3 Ability to tap extensive electronic databases to sell insurance products online

We have managed to build a substantial database of approximately 7.6 million policyholders as of the LPD derived from policies we have underwritten via our key online insurance software, TIPG since April 2011. Further, under our existing distribution arrangements with AirAsia and the Tune Hotels, we are also permitted to market our general insurance products to customers of AirAsia and the Tune Hotels. This provides us with a cost effective means of reaching such customers and prospects. Since a significant majority of the information that we have access to have been provided as part of the purchase process for air tickets or insurance products, such information is more accurate and up-to-date than that typically available to insurance companies. Following our acquisition of TIMB, we can now offer our insurance products to such customers in Malaysia, which are underwritten by TIMB, at a price that we believe an agency-based distribution model would likely be unwilling to match. We believe that our extensive digital database, and the marketing opportunities that it provides, will become increasingly important as the purchase of insurance through online methods becomes more widely accepted across Asian markets.

6.2.4 Benefit from attractive Southeast Asia general insurance market fundamentals

We operate, and plan to expand, our general insurance business in a stable underwriting environment that is characterised by an under-penetrated market, particularly in Malaysia, Indonesia, Thailand and the Philippines. According to Milliman, despite strong GDP growth at a CAGR of 16.5% from 2006 to 2011 in Asia ex-Japan, markets such as Malaysia, Thailand, Indonesia and the Philippines all have reported "penetration rates" under 2.0% and "density rates" under USD200, which are much lower than the mature markets in the region as well as Europe, North America and Japan. As we develop our general insurance business both domestically and outside of Malaysia, our insurance products are expected to benefit from economic growth in the Asia-Pacific emerging markets, especially in the areas of personal protection and asset protection insurance, including motor, property and personal accident insurance where, according to Milliman, the general insurance market had grown at a CAGR of between 9.1% to 18.1% from 2006 to 2011 for markets such as Malaysia, Thailand, Indonesia and the Philippines. As well as offering general insurance products through more traditional means, we believe that the marketing opportunities to existing customers of our online partners, AirAsia and Tune Hotels, will provide substantial cross-selling opportunities of our general insurance products.

6.2.5 Experienced management team and strong shareholder support

We have a highly experienced management team with a strong track record with leading companies in the insurance industry and experience in revenue generation, innovation and profitability. Our management team comprises members who possess extensive operating and management experience in Malaysia, as well as internationally in the insurance, technology and financial services industries. Our management team was instrumental in developing strong relationships with our key business partners, including local insurance partners, as well as optimising our reinsurance and insurance business models.

In addition, we are able to take advantage of the support and expertise from our major shareholders, TMSB and AirAsia Berhad, in particular, Tan Sri Dr Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, both of whom have reputations and proven track records as leading entrepreneurs. AirAsia and the Tune Companies are in different businesses and we are able to leverage the distinct branding and customer base of both groups through the agreements that we had entered into with them. For example, we are in a position to utilise the "BIG" loyalty programme of Think Big Digital Sdn Bhd (a 50/50 joint venture between AirAsia Berhad and TMSB) to promote our product offerings to "BIG" loyalty programme members. In addition, we have been provided access to the other business ventures of our major shareholders. Recently, we took advantage of advertising and sponsorship opportunities with Queen's Park Rangers Football Club, in particular, during its recent pre-season tour in Asia, and the Caterham F1 Team, which these major shareholders own, to market our insurance products.

6.3 OUR STRATEGY AND FUTURE PLANS

6.3.1 Leverage on the growth of AirAsia's businesses

We intend to continue to manage the insurance needs of AirAsia's customers. As AirAsia expands its footprint, where it is commercially viable to do so, we intend to expand into these new markets alongside AirAsia. We currently offer insurance products to such customers in 14 out of 21 countries and territories to which AirAsia currently flies and are negotiating with third party local insurance partners in three of the others. We believe that AirAsia will continue to be aggressive in its expansion plans, and we intend to use our position as the exclusive insurance product manager for AirAsia to design and manage insurance products for their customers to continue to further expand our customer base and drive revenue growth alongside their growth.

6.3.2 Replicate our business model with new partners, whether travel partners or otherwise, and increase our product offerings to customers of our existing online partners

We aim to extend our travel insurance business beyond AirAsia and Tune Hotels, thereby expanding our customer reach. We believe our business model offers an attractive proposition to third parties who would benefit from the incremental revenue derived from the distribution of our insurance products alongside their own products. It also provides local insurance providers with the opportunity to market to the large customer bases of our online partners allowing them to sell products with very low sales and marketing costs and finally, it allows end customers to purchase low cost insurance products with minimal effort as part of a purchase process they are already undertaking.

We intend to accomplish our goal of expanding beyond AirAsia and Tune Hotels by establishing tie-ups with other partners, including other airlines, leveraging on our established systems infrastructure, such as our key online insurance software TIPG, our existing relationships with local insurance partners and our experience in developing relationships with local insurance partners in new markets. We have replicated our reinsurance model in relation to AirAsia Expedia, where we will initially offer "Tune Insurance" and "Expedia" co-branded products to users purchasing tickets through three of AirAsia Expedia's websites in Asia. We are also currently in advanced discussions with a regional airline's primary insurer. Where we enter into distribution arrangements with new partners, we intend to follow a similar model to our existing online insurance arrangements to work with our own and local insurance partners and, where appropriate, to reinsure a portion of the risk such partners assume.

Further, we intend to utilise our experience and track record of successfully implementing this highly attractive business model to drive expansion through our relationships with existing partners, such as AirAsia and Tune Hotels, including by offering products in countries in which we currently do not offer our travel insurance product but which AirAsia currently flies or will in the future fly from.

6.3.3 Improve Take-up Rates in our online insurance business to increase revenues

We aim to increase Take-up Rates for our online insurance business, by improving consumer education through advertisements explaining the benefits of purchasing insurance as part of the booking process. Further, where appropriate, we may elect to contact certain customers of AirAsia who have not taken up insurance at the time of their online booking to explore the various insurance options available to them. We also intend to be innovative in our marketing initiatives by leveraging our access to the brand recognition of AirAsia and the Tune Companies' other businesses and building up the "Tune Insurance" brand going forward. See Section 6.6 - "Marketing, Sales and Distribution" of this Prospectus for further details.

We constantly evaluate market conditions in each country in which we offer our insurance products and tailor our sales and marketing efforts accordingly. To that end, we intend to focus on expanding our various product offerings, including life insurance products, into new jurisdictions beyond Malaysia, Thailand and Indonesia, and increase online direct sales into markets such as Australia and Singapore where consumers are amenable to sales of insurance products through electronic media as opposed to direct contact (such as telemarketing).

6.3.4 Integrate TIMB to capture additional revenue and cost synergies, and diversify product offerings

Our acquisition of TIMB enables us to capture revenue from underwriting travel insurance in Malaysia that was previously earned by our third party insurance partner in Malaysia and provides us with the ability to underwrite other general insurance products in Malaysia. We are in the process of integrating the insurance business of TIMB, which we believe will generate significant cost-saving synergies, particularly focusing on improving the profitability and portfolio mix of TIMB's insurance products, improving the effectiveness of TIMB's existing network of agents and multi-channel distribution platforms and upgrading its information technology systems, whilst maintaining a disciplined approach to underwriting risk, capital conservation and expense management.

TIMB intends to replace its existing core policy administration system and expects to implement a new information technology system in phases, commencing in the third quarter of 2013. This new system will provide new business processing, underwriting, administration, claims, management information systems and a differentiated front-end offering superior usability for customers and agents. The system will support the on-going enhancement of the oversight over the adequacy and effectiveness of our risk management and internal control systems.

We intend to leverage our access to AirAsia and the Tune Companies' other businesses for marketing and branding opportunities to attract customers to purchase a greater range of products underwritten by TIMB. We also intend to offer the broader suite of insurance products that TIMB currently offers to customers of AirAsia and Tune Hotels who had purchased our insurance products, and to our online partners.

Additionally, we intend to offer a broad suite of products to the staff of AirAsia, Tune Companies and respective business partners to supplement existing employee benefit programs and to cover personal needs through products such as motor, accident and household insurance.

We intend to complete the integration process of TIMB by the end of the first quarter of 2013.

6.3.5 Enhance revenue streams through appropriate acquisitions in Southeast Asia

In addition to organic growth, we intend to grow our business through acquisitions. In Malaysia, we recently acquired TIMB and we are currently seeking opportunities to acquire businesses with the relevant licences in our other core markets in Southeast Asia, such as Indonesia and Thailand which we believe are sizeable markets where insurance needs are under-served. As well as broadening our ability to offer a range of insurance products in those Asian markets that we consider under-penetrated, such acquisitions would allow us to underwrite and insure products directly in those markets and consequently, we retain the full amount of the premium within our Group instead of sharing it with a third party local insurance partner. This will enable us to increase the revenue and profitability of our online insurance business. We are currently in discussions to acquire local insurance providers in Indonesia and Thailand through which we are able to market our products directly in these countries.

6.4 OUR PRODUCTS, CUSTOMERS AND DISTRIBUTION CHANNELS

We provide general and life reinsurance for customers of AirAsia and Tune Hotels across the Asia-Pacific region and issue general insurance policies in Malaysia. Our insurance activities have primarily centred on our online insurance business, which is underpinned by our relationships with AirAsia and Tune Hotels, for whom we design and manage both general and life insurance retail product offerings to their respective customers.

AirAsia is a leading low cost carrier operating in the Asia-Pacific region and has an extensive network of more than 150 routes in 21 countries and territories with over 400 daily flights. AirAsia was named the World's Best Low Cost Airline in the World Airline Survey by Skytrax for four consecutive years (2009 through 2012).

The Tune Companies were founded by Tan Sri Dr Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, and are involved in the hotel, financial services, education, entertainment and mobile services industries.

6.4.1 Our Online Insurance Business Model

Our online insurance product offerings are sold through the websites of our online partners, currently AirAsia, Tune Hotels and AirAsia Expedia. In particular, we or our local insurance partners, as the case may be, offer core products to customers of our online partners in the following key segments:

- travel insurance, sold to customers of AirAsia and branded as the "AirAsia INSURE Travel Protection Plan";

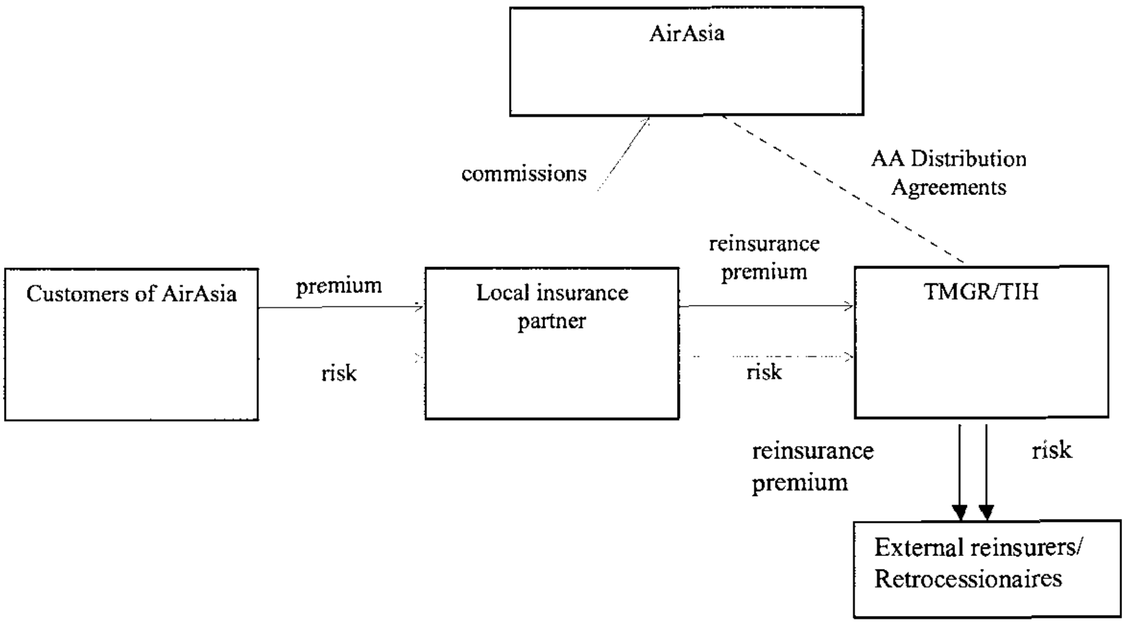
- lifestyle protection insurance which are marketed to AirAsia customers and Tune Hotels customers, whose information is made available to us under the respective distribution and/or collaboration agreements;

- Guest Personal Accident insurance for Tune Hotels; and

- travel insurance, sold to customers of AirAsia Expedia.

We have established arrangements for our online partners to offer our insurance products in various countries and jurisdictions across the Asia-Pacific region comprising Malaysia, Thailand, Indonesia, Singapore, Australia, the Philippines, China, Hong Kong, Macau, Japan, Cambodia, Laos, Vietnam and India. We are in the process of securing arrangements in Myanmar, South Korea and Taiwan, the other countries in which AirAsia operates. For Tune Hotels, we currently only offer our insurance products in Malaysia and Indonesia.

A diagrammatical illustration of our online insurance business model, in particular, our travel insurance, is set out below:



As part of the online booking process of a flight, hotel room, or as the case may be, the travel-related services offered by AirAsia Expedia in a country that we have established arrangements to offer our insurance products, customers of the online partner are given the option to purchase certain insurance products relating to the booking that they are in the process of completing, such as travel insurance if the customer is booking an AirAsia flight, or a personal accident protection plan if a customer of hotels operated by Tune Hotels is booking a room. Any purchase of the insurance product made is then bundled together as part of the main booking process, with the customer paying one overall fee, and only being required to use one set of registration information.

In each country that our online partner wishes to be able to offer our insurance products, we coordinate for our online partner to enter into business collaboration arrangements (which may be structured as agency, referral, marketing and/or distribution agreements to meet local regulation) with one of our local insurance partners. For AirAsia customers, the country of the appropriate local insurance partner is determined depending on the country of departure of the flight in question, irrespective of where the ticket itself is bought. For example, if a customer's flight departs from Malaysia and arrives in Singapore and that customer purchases the Travel Protection Plan at the time of purchasing the flight ticket, we will underwrite the plan directly in Malaysia. On the other hand, if the customer's flight departs from Singapore and arrives in Thailand and that customer purchases the Travel Protection Plan at the time of purchasing the flight ticket, our local insurance partner in Singapore would underwrite the plan in Singapore.

Pursuant to these business collaboration agreements, the local insurance partners agree to underwrite the insurance policies purchased online by the customers of the online partner in the relevant country. These arrangements are generally for a term of one to two years and govern the payment of commissions, as well as the reimbursement of marketing expenses, to the online partner for promoting and marketing our insurance products.

We then enter into reinsurance arrangements with each of these local insurance partners, who are required to cede to us their underwriting risk under a "quota-share" arrangement. To manage our own underwriting exposure, we typically cede catastrophic excess-of-loss risk in relation to each policy based on a percentage of our reinsurance premium. Please refer to Section 6.5 - "Reinsurance and Retrocession" of this Prospectus for further details.

The amount of the premium that is apportioned between the local insurance partner and us is set out in the reinsurance agreements between ourselves and the local insurance partners and are determined after taking into account factors such as the prevailing market conditions, projected sales volumes, premiums to be charged, competition, regulation and relationship with the insurer in other markets These agreements are typically for terms of one-year, and are renewable annually or re-negotiated, each year to take into account market conditions and other relevant factors.

Following our acquisition of TIMB in May 2012, we are now licensed to underwrite directly, through TIMB, insurance products sold as part of our online insurance business originating in Malaysia. As such, the role of the local insurance partner in Malaysia under our business model was assumed by TIMB in September 2012. Prior to the completion of the TIMB Acquisition and until September 2012, all of our Malaysian online insurance products were underwritten by Multi-Purpose Insurans Bhd. Please refer to Section 6.3.5 - "Our Strategy and Future Plans - Enhance revenue streams through appropriate acquisitions in Southeast Asia" of this Prospectus for further details.

6.4.2 Distribution arrangements with our online partners

Under the AA Distribution Agreements, which have terms of 10-years (with respect to AirAsia Berhad and AirAsia Japan Co., Ltd, expiring in 2022) and 15 years (with respect to certain other affiliates of AirAsia Berhad, namely PT Indonesia AirAsia, AirAsia X Berhad and AirAsia Inc, expiring in 2027) and 5-years (with respect to Thai AirAsia Co.Ltd, expiring in 2017), we have been appointed, on an exclusive basis, to manage AirAsia's insurance business. The AA Distribution Agreements may be renewed for such period and upon such terms and conditions as the parties may agree in writing.

Under the AA Distribution Agreements, we have agreed not to manage the insurance business of other parties for similar services unless approved by AirAsia in writing. If we manage the insurance business of other airlines, AirAsia and/or its customers will enjoy terms which are no less favourable than the terms offered to those other airlines and/or their customers.

AirAsia has also granted us a limited, non-exclusive, non-transferable and non-sub-licensable right to use, display and reproduce the "AirAsia INSURE" marks for the duration of the AA Distribution Agreements. Accordingly, we have branded our Travel Protection Plan distributed to AirAsia customers as the "AirAsia INSURE Travel Protection Plan".

Pursuant to the AA Distribution Agreements and the corresponding business collaboration arrangements that AirAsia has with each of our local insurance partners, AirAsia receives a portion of the gross premium paid by customers for each purchase of our Travel Protection Plan as commission. While this varies in each market in which we offer our online insurance products depending on the prevailing market conditions in a particular country and whether there is regulation on the commissions paid, this is generally determined as a fixed percentage of the gross premium received and is set out in the business collaboration agreements entered into with each local insurance partner, which are typically renewed on an annual or bi-annual basis. Currently, AirAsia's portion may range between 16.0% and 31.0% of the gross premium paid by customers depending on the market in which our Travel Protection Plan is underwritten. In addition to the commission paid to AirAsia, they may be reimbursed a specified percentage of the gross premium paid by customers, subject to applicable regulations, to the extent that it undertakes approved marketing activities to promote and market our insurance product.

To complement our insurance product offerings which are sold online, we have also introduced other products such as the AA Lifestyle Protection Plan and the Tune Hotels Lifestyle Protection Plan. These plans are offered to customers of AirAsia and the hotels operated by Tune Hotels, who have consented to receive marketing communication and product offers.

6.4.3 Our Online Insurance Products

(a) AirAsia

Travel Insurance – "AirAsia INSURE Travel Protection Plan"

We offer the Travel Protection Plan pursuant to the AA Distribution Agreements. Our Travel Protection Plan is available to customers of AirAsia on flights originating from 14 countries and territories.

Our Travel Protection Plan is branded the "AirAsia INSURE Travel Protection Plan" and is designed exclusively for AirAsia's customers who purchase flight tickets through AirAsia's website. As well as being able to purchase our Travel Protection Plan online, it is also sold through AirAsia's other distribution channels as part of the booking process, including via selected travel agents in Malaysia and Indonesia, as well as AirAsia's mobile platform. A significant majority of Travel Protection Plans are sold via the AirAsia website or mobile platform.

Our Travel Protection Plan provides coverage for losses arising from, among others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee. The plan includes an "on-time" guarantee benefit which compensates the customers of AirAsia for any delay of flights by AirAsia beyond two hours of the scheduled time of departure.

The coverage purchased by the customers corresponds with the type of ticket purchased, with "One-Way Plan" coverage for one-way trips and a "Return-Trip Plan" for return trips. The coverage on the "Return-Trip Plan" commences when the insured checks-in for his or her departure flight and terminates when he reaches the flight terminal on his return flight. The coverage for the "One-Way Plan" commences when the insured checks-in for his departure flight and terminates when he reaches the flight terminal of his or her destination.

The revenues from our travel insurance product have seasonal variances, matching the seasonality profile of the travel industry in general, in particular air travel. As such, our travel insurance revenues are generally highest in the fourth quarter of the financial year and increase during holiday seasons.

Lifestyle Protection Plan – "AirAsia INSURE Lifestyle Protection Plan"

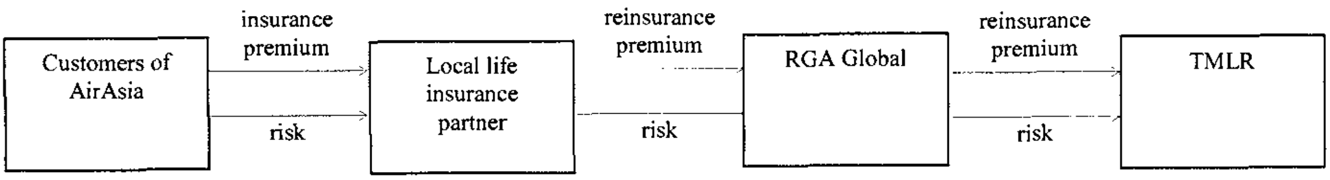
In 2011, we introduced the AA Lifestyle Protection Plan branded as the "AirAsia INSURE Lifestyle Protection Plan", which is offered to customers of AirAsia in Malaysia, Thailand and Indonesia and is underwritten by our local life insurance partners. Under the AA Distribution Agreements, in addition to the provision of our Travel Protection Plan, we are able to market and offer life, accident, health and other insurance policies to customers of AirAsia. Information on these customers is available to us regardless of whether they have purchased our insurance products, as long as they have provided consent, via the AirAsia website or otherwise, to be contacted.

Our local life insurance partners directly promote and underwrite the AA Lifestyle Protection Plan to these AirAsia customers, marketing such plans as an AirAsia-branded product given customers' familiarity and perception of AirAsia's reputation or the AirAsia brand.

Products currently offered and branded AA Lifestyle Protection Plan include (a) a cancer plan which is a 15-year protection plan providing death and cancer coverage. If no claims are made during the term of the policy, the insured will get back the total annual premium paid on the life coverage upon maturity of the policy, and (b) an accident and hospital income plan which is a term protection plan with coverage until an insured reaches age 70. It provides death, accidental permanent total disability and hospital income benefits. As at the LPD, 7,729 policies in force were issued under the AA Lifestyle Protection Plan.

In order to meet the local insurer and regulatory requirements for our life insurance business in Malaysia, Thailand and Indonesia, we have appointed RGA Global as a strategic life reinsurance partner. RGA Global is wholly-owned by Reinsurance Group of America, Incorporated and was established to insure business from countries outside North America. Accordingly, RGA Global enters into reinsurance agreements with our local life insurance partners. We subsequently provide, through TMLR, our wholly-owned subsidiary, by way of retrocessional coverage to RGA Global, reinsurance of up to 50.0% of the total risk in respect of which the customer has sought insurance coverage.

A diagrammatical illustration of the reinsurance arrangement in relation to the AA Lifestyle Protection Plan is set out below:



The costs of marketing the AA Lifestyle Protection Plan by our local life insurance partners are managed via a co-insurance arrangement between our local life insurance partners, RGA Global and TMLR. Under this arrangement, TMLR is only responsible for a proportionate share of marketing costs when its cashflow with respect to AA Lifestyle Protection Plan operations becomes positive.

Under the AA Distribution Agreements, AirAsia is entitled to a portion of the revenue or premiums derived by us.

(b) Tune Hotels

Life Insurance – Tune Hotels Lifestyle Protection Plan

In 2011, we supplemented our AirAsia insurance product offerings by entering into the Tune Hotels BCA.

The Tune Hotels BCA is for a term of ten years and may be renewed for such period and upon such terms and conditions as the parties may mutually agree in writing. During the term of the agreement, Tune Hotels shall not engage with any other third party for the outsourcing or the management of any insurance business.

Similar to our arrangements with AirAsia, under the Tune Hotels BCA, we have the ability to market our branded lifestyle protection plan to customers of the hotels operated by Tune Hotels in Malaysia and offer life, accident and health policies to Tune Hotels' registered customers. Information on these customers is available to us regardless of whether they have purchased our insurance products, as long as they have provided consent, via the Tune Hotels website, to be contacted. These products have been offered since January 2012.

Our local life insurance partner directly promotes and underwrites the Tune Hotels Lifestyle Protection Plan to such customers of hotels operated by Tune Hotels. As at the LPD, 351 policies in force were issued under the Tune Hotels Lifestyle Protection Plan.

The Tune Hotels Lifestyle Protection Plan has the same coverage and benefits as the AA Lifestyle Protection Plan and similar to the ceding of risk in relation to the AA Lifestyle Protection Plan, our local life insurance partner will cede a portion of its underwriting risk to RGA Global. RGA Global, in turn, will cede its risk to TMLR.

Under the Tune Hotels BCA, Tune Hotels and/or its affiliates are entitled to a portion of our revenue or premiums derived from the same Tune Hotels Lifestyle Protection Plan underwritten by our local life insurance partner.

Personal Accident Insurance – Tune Hotels Personal Accident Plan

In addition to the Tune Hotels Lifestyle Protection Plan, the Tune Hotels Personal Accident Plan is also designed exclusively for customers of hotels operated by Tune Hotels in Malaysia and Indonesia and underwritten by our local insurance partners.

Customers who book hotel rooms are given an option, as part of their booking process, to purchase a Tune Hotels Personal Accident Plan, which covers losses arising from, among others, personal accidents and medical expenses arising from such accidents. Coverage of the plan begins upon the scheduled check-in time at the Tune hotel in question and ends at the official check-out time of the hotel or the scheduled check-out time, whichever is the earlier.

(c) AirAsia Expedia

We are the non-exclusive insurance manager for AirAsia Expedia, and have commenced marketing a line of insurance products through three of AirAsia Expedia's websites in Asia, thereby substantially increasing our potential customer reach. We commenced offering our travel insurance products branded with the "Tune Insurance" and "Expedia" marks in December 2012, and these products include the following:

- personal accident benefits, including accidental death or permanent disablement;
- travel inconvenience, such as trip cancellation, trip curtailment, loss or damage to baggage and personal effects, baggage delay, loss of personal money, loss of travel documents or credit cards and trip delay;
- medical benefits, including medical expenses reimbursement, emergency medical evacuation or repatriation, mortal remains repatriation, compassionate visit due to hospitalisation or death, child care benefit and hospital allowance;
- personal liability;
- home care benefits, which includes covering theft of property during a trip; and

- travel assistance services, i.e. providing travel assistance for the entire trip.

6.4.4 Our Other General Insurance Business in Malaysia

Following the TIMB Acquisition, we are licensed to issue policies in all classes of general insurance in Malaysia across a broad range of industry and customer segments.

In relation to our other general insurance business through TIMB, we have entered into a number of treaty and facultative reinsurance arrangements to manage our own underwriting exposure in accordance with our risk appetite. For example, we reinsure our underwriting risk in relation to losses arising out of low probability high-impact events, such as multiple loss of life, whilst retaining our underwriting risk associated with losses which are potentially less significant, for example, loss of baggage. TIMB purchases reinsurance coverage in relation to its general insurance business, which involves TIMB ceding to a panel of highly-rated reinsurance companies a portion of the underwriting risk to manage their own underwriting exposure. In particular, for our non-motor insurance products, we cede the bulk of the risk to our reinsurers and we retain a small percentage of the risk.

Our acquisition of TIMB allows us to provide other general insurance products in Malaysia. These products include the aforementioned AirAsia and the Tune Hotels products as well as other general insurance products set out below:

- ***Motor Insurance*** - Our motor insurance plan provides protection for vehicle owners against losses that may arise in connection with accidents and theft involving the insured vehicle. Malaysian law requires that any vehicle on the road be insured against liability for injury or death to third parties;

- ***Fire Insurance*** - Our fire insurance plan is specifically designed by us to cover residential and commercial properties. The premium for such insurance is determined and charged in accordance with the rate in the regulated Fire Insurance Tariff. There are three main types of fire insurance policies, namely, the fire and perils insurance, house owners insurance and householders insurance;

- ***Marine Insurance*** – Our marine cargo insurance plan provides cover to the owner of goods against loss or damage to the goods whilst in transit, from a place of shipment to a destination named in the policy. Transits may be by approved conveyances by sea, air, land or a combination of sea/air and land. The shipment may be within Malaysia and/or imported to or exported from Malaysia. We also offer marine open cover for our customers. All the shipments falling within the ambit of the open cover are automatically covered by us, subject to full declaration of each shipment. In addition, we offer marine hull insurance products;

- ***Health Insurance (Sihat Malaysia)*** - Sihat Malaysia is a standard product which was introduced by the National Insurance Association of Malaysia to prepare the insured for the costly financial expenses that the insured may incur in the event he is hospitalised due to an accident or illness;

- ***Dental Insurance*** - Our dental insurance is specifically designed to enhance the employee benefits companies offer to their employees. Our dental insurance product was developed via collaboration with Universal MediDent Sdn Bhd, with whom we have secured an additional two-year exclusive distribution right expiring end 2014;

- ***Personal Accident Insurance*** - Our Selective Personal Accident Policy provides worldwide coverage for the whole year through and it also allows flexibility in the choice of benefits. In addition, our motorists personal accident plan provides cover to drivers and passengers of private cars insured with us;

- ***Engineering Insurance*** - We have various engineering insurance plans which cover, among others, civil engineering works that are under construction, protection against risks involved in the erection of machinery, plant and steel structures, insurance for plant, machinery and mechanical equipment and protection to electronic equipment; and

- ***Foreign Workers Insurance*** - Our foreign workers insurance plan covers all foreign workmen employed by a company. We also offer an insurance guarantee scheme for such foreign workers.

6.5 REINSURANCE AND RETROCESSION

Reinsurance is insurance that is purchased by an insurance company (the 'ceding insurer') from one or more other insurance companies (the 'reinsurer') generally as a means of risk management but also enabling the ceding insurer and the reinsurer to share in the economics of the risk. TIMB will generally reinsure outwards for risk management purposes; TMGR and TMLR reinsure inwards to share in the expected exconomic benefits of underwriting certain types of risk and reinsure outwards (i.e. retrocession) for risk management purposes

Reinsurance can broadly be classified as proportional reinsurance and non-proportional reinsuranace.

- Under proportional reinsurance, one or more reinsurers indemnifies the ceding insurer against a predetermined percentage of losses and expenses, as stated in the reinsurance agreement. This means that the reinsurer will receive that stated percentage of the premiums and will pay the same percentage of expenses such as claims and commissions.

- Under non-proportional reinsurance, the reinsurer indemnifies the ceding insurer against a portion of losses and expenses incurred in excess of a certain threshold. A main form of non-proportional reinsurance is "excess of loss".

At TIMB we reinsure, both through proportional reinsurance and non-proportional reinsurance, a substantial portion of our underwriting risk in order to manage our own underwriting exposure. In doing so, we cede to our reinsurers a portion of the risk that we assume through our provision of insurance products (directly to customers in Malaysia). We generally reinsure by engaging reinsurance brokers. The reinsurance premiums we pay vary depending of the amount and type of risk we cede.

TIMB has undertaken proportional reinsurance on risk-attaching basis for products such as travel insurance (under our Travel Protection Plan), fire, motor, general accident, engineering and marine products. TIMB has also obtained non-proportional reinsurance/"excess-of-loss" on losses-occurring basis with respect to products such as motor, liabilities and personal accident. In an arrangement on risk-attaching basis, a reinsurer will accept only those claims that were made for policies bought with inception date commencing in the reinsurance policy period/contract period; whereas in an arrangement on losses-occurring basis, all claims occurring during the period of a reinsurance contract are covered. Losses due to any claims made after the expiry of a contract are not covered.

TMGR will typically reinsure on a non-proportional basis catastrophe (i.e. more than two lives) with the premium we pay based on a percentage of reinsurance premiums we receive.

For underwriting risk we incur through TIMB, reinsurance is provided through TMGR, our wholly-owned subsidiary in respect of our Travel Protection Plan, and highly rated reinsurers such as Malaysian Reinsurance Berhad (rated "A" by Fitch Ratings), Sompo Japan Insurance Inc. (rated "A" by Fitch Ratings), Labuan Reinsurance (L) Ltd (rated "A-" by Fitch Ratings).

With respect to policies reinsured with TMGR, we obtain excess-of-loss" retrocessional coverage from Lloyds syndicate members with a minimum rating of "A" by Standard & Poor's.

6.6 MARKETING, SALES AND DISTRIBUTION

6.6.1 Our Online Insurance Business

We leverage on the AirAsia and the Tune Hotels brands and marketing infrastructure in the marketing of our services/products that we provide to their customers. In addition, we intend to build up the "Tune Insurance" brand going forward by embarking on marketing efforts to enhance our brand by advertising on AirAsia related materials, such as boarding passes and in-flight magazines.

For example, the "AirAsia INSURE" branded products are marketed and sold on the website of AirAsia and also through other distribution channels, such as selected travel agents in Malaysia and Indonesia, while the Tune Hotels Personal Accident Plan is marketed and sold on the website of Tune Hotels. We also have a marketing tie-up with Think Big Digital Sdn Bhd, the operator of the "BIG" loyalty programme in Malaysia, through which customers of our Travel Protection Plan and other general insurance products will be awarded "BIG" points which can be redeemed for, among others, free AirAsia flights.

We are able to leverage on our relationships with AirAsia and the Tune Companies to access certain advertising and sponsorship opportunities with Queen's Park Rangers Football Club and the Caterham F1 Team. Tan Sri Dr Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are the majority shareholders of Queen's Park Rangers Football Club. As our relationship with AirAsia and the Tune Companies continues, we are confident similar future opportunities will be available.

We also, through our arrangement with AirAsia Expedia, use AirAsia Expedia's websites to market our products to customers of AirAsia Expedia.

We have emphasised and continue to emphasise consumer education in our advertising efforts. As such, we focus on educating potential customers of the necessity of travel insurance and lifestyle protection. We advertise in Travel 3sixty° (AirAsia's in-flight magazine), airports as well as through other print and digital materials of AirAsia and on strategic travel magazines, using an advertorial approach to create awareness of the "AirAsia INSURE" and "Tune Insurance" brands.

6.6.2 Our Other General Insurance Business

As of the LPD, TIMB engages approximately 1,000 agents in 15 branches across Malaysia, who promote TIMB's general insurance products. TIMB's agents are registered with General Insurance Association of Malaysia, which is the statutory association recognised by the Government of Malaysia for all registered insurers who transact in the general insurance business in Malaysia. It issues each agent with an identification card which indicates TIMB as principal thus enabling clients to verify the agent's authenticity. They are experienced in the marketing and servicing of general insurance products. We are focused on motivating our agents so that they promote our products over those of other insurance companies and ensure that we can attract customers to use us to meet all their insurance needs.

After our acquisition of TIMB, we have commenced activities relating to our agency distribution channel to improve the effectiveness of TIMB's network of agents to increase our profit margins, including suspension of unprofitable agents, encouraging agents to sell a more diversified portfolio of insurance products and hiring agents with a track record of profitability. We have also modified the profit commissions payable to profitable agents to retain and incentivise them. In addition, we plan to optimise our branch network, including amalgamating our Petaling Jaya and Shah Alam branches, opening a branch in Kluang, Johor and expanding our Johor Bahru branch.

We have introduced loyalty and recognition programs as tools for our agents to attract and retain customers. These include both agent-focused and customer-focused programs. Our agent-focused programs include providing special recognition to high-performing agents in conventions and other official company functions, providing increased training and changing our profit commission strategy to increase motivation for agents. Our customer-focused programs, subject to the approval from BNM, will include providing access to rewards to our general insurance customers through the "BIG" loyalty programme of Think Big Digital Sdn Bhd.

We have also commenced efforts to reposition our products. Previously, TIMB was known primarily as a motor-insurance provider. We aim to position TIMB as a provider of a diversified portfolio of insurance products particularly retail products and will use our motor insurance relationships as a gateway to introduce our customers to a broader range of insurance products and our online relationships to introduce a broader range of direct "no frills" products. We entered into a corporate agency agreement dated 4 June 2012 with KIBB, pursuant to which licensed brokers at KIBB are able to sell TIMB's general insurance products on our behalf on a commission basis.

In addition, we have a direct sales department in TIMB, which acts as a single point of contact for our customers to obtain various services related to personal general insurance products, such as motor insurance, personal accident insurance and fire insurance.

In addition to our own agents directly selling our general insurance products to customers, we use alternative channels to increase our distribution network, including through the use of the following:

- ***Franchise*** - TIMB's franchise department solicits business from motor vehicle franchise businesses and provides insurance services such as motor insurance and extended warranty programs. TIMB currently transacts motor insurance business with Daihatsu Malaysia Sdn Bhd and with several of Perodua's branches in Malaysia. In addition, it operates extended warranty programs for Peugeot and Ford. In July 2012, we hired a new department head for our franchising department and have submitted business proposals to a number of other leading motor franchises in Malaysia for both motor and extended warranty programs business.

- ***Brokers*** – In June 2012, we hired a new head of broking to cultivate relationships with leading insurance brokers in Malaysia. TIMB currently has existing broking relationships with SP&G Insurance Brokers, Tradewinds International Insurance Brokers, Willis (Malaysia) Sdn Bhd, Malene CSB Insurance Brokers Sdn Bhd, Marsh Insurance Brokers (Malaysia) Sdn Bhd, Insfield Insurance Brokers Sdn Bhd and CIMB Insurance Brokers Sdn Bhd. Our main insurance products underwritten via such brokers comprise major corporate/commercial classes of products including marine, oil & gas, aviation, engineering, property and foreign workers. These products are provided for key customers including Petroliam Nasional Berhad, MISC Berhad, Malaysia Marine Heavy Engineering Bhd, Muhibbah Engineering (M) Berhad and SapuraKencana Petroleum Berhad.

6.7 CLAIMS MANAGEMENT

6.7.1 Our Online Insurance Business

For our online insurance business, claims are typically received by staff in our customer experience department or directly by our local insurance partners. Where claims are received by us, they are forwarded to our local insurance partners, unless they relate to products that we are directly underwriting. Our local insurance partners examine and verify the claims. For more complex or serious cases or where our local partners need to verify certain information with us, they do so expediently. Once the claim is verified, the amount payable is calculated and, once approved, is distributed to the policyholder. For those claims that are distributed directly to a policyholder by our local insurance partners, they will submit a claim to us pursuant to our respective reinsurance agreement. Upon receipt of these claims from our local partners, we will distribute the amount payable in proportion to the risk we were reinsuring.

Our claims response system is continually reviewed as part of our overall customer relationship management system. In addition, we have broadly similar obligations under the AA Distribution Agreements and work together with AirAsia and our local insurance partners to ensure that claims and complaints are processed efficiently.

Feedbacks and/or claims from our customers are taken seriously and we process such claims quickly and efficiently, usually within seven days upon receipt of such claims. We believe that efficient claim procedures and prompt claim payment would encourage more new customers as well as repeat customers.

We have an agreement with Asia Assist Network (M) Sdn Bhd under which we outsource certain of our call centre services to them. Their call operators provide call support in relation to travel-related emergency assistance and claims.

6.7.2 Our Other General Insurance Business

Claims with respect to products underwritten by TIMB are submitted to our agents, brokers and direct sales representatives. The claim details are then relayed to the TIMB claims department. The claims department appoints adjusters, if necessary, and corresponds with the reinsurers to distribute liability. Claimants have a right to appeal disputed claims to the Financial Mediation Bureau. In addition, we provide a roadside assistance hotline for our motor insurance products.

We appointed a new head of claims in September 2012 for TIMB's general insurance business whose initial focus will be to optimise the claims process and to implement automated services and management information systems in accordance with regulatory guidelines.

6.7.3 Provisions for Claim Liabilities

As part of our accounting policies, our claim liabilities comprise the following three main components:

- ***Provision for claims reported,*** which are claims incurred by the policyholders and reported to the insurance company;
- ***Provision for incurred but not reported ("IBNR") claims,*** which is the expected ultimate cost of claims incurred but not yet reported at the reporting date. In general, IBNR claims are claims incurred that have yet to be made by the policyholders to the insurance company; and
- ***Provision of risk margin for adverse deviation ("PRAD"),*** which is the component of the value of the claim liabilities that relates to the uncertainty inherent in the best estimation of provision for claims reported and IBNR. PRAD is an additional component of the liability value aimed at ensuring the value of the claim liabilities is established at a level such that there is a higher level of confidence that the provisions will ultimately be sufficient.

Please refer to the Accountants' Report as set out in Section 13 of this Prospectus for more details on the above accounting policies.

6.8 INFORMATION TECHNOLOGY

6.8.1 Our Online Insurance Business

Information technology is an essential element of our business infrastructure. We have invested in developing information technology as effective systems directly lower our operating costs, enable scalable operations and improve overall efficiency. Our key online insurance software is our TIPG which was acquired by us from TMSB on 1 August 2012.

The TIPG is a backend insurance host system which remote third-party applications/agents can access through the internet, to query, book and purchase our online insurance products. It is currently only used for the Travel Protection Plan, but is scalable and could be incorporated to accommodate the products of our other future partners. TIPG also provides the mechanism to interface with insurance providers which registers the policy with respective insurer. This is also scalable and expandable to enable to business to grow.

The TIPG leverages on a web infrastructure, where the application is centrally installed and managed on our in-house servers. Part of our strategy is to engage third party service providers to host our required software to achieve greater scalability and lower capital outlay. Being a web-based service, the TIPG can be scaled and expanded over multiple servers as the demand arises without any additional modifications to the system.

As part of our business continuity programme in view of our heavy dependence on our software and server systems, we have established disaster recovery procedures with a robust backup data centre with adequate data communication redundancies. See Section 4.1(xxi) - "Risk Relating to Our Business – Our operations could be disrupted by unexpected network interruptions caused by system failures, natural disasters, terrorist attacks, unauthorised tampering or security breaches of our information technology systems" of this Prospectus for further details.

6.8.2 Our Other General Insurance Business

TIMB intends to replace its existing core policy administration system and expects to implement a new information technology system in phases, commencing in the third quarter of 2013. TIMB currently uses a core insurance IT system known as GIS 2000, an established system in the Malaysian insurance industry that provides the following functions: policy administration, claims administration, underwriting and financial accounting.

The process of implementing a new core insurance system and associated technology in TIMB includes integrating TIPG into this new core insurance system. The new system will include: (a) a leading-edge "front-end" system; (b) a core integrated back end system including policy administration, claims, underwriting and accounting; (c) automated integration with our own and industry gateways such as FinancialLink; (d) e-Agency module for foreign workers insurance; and (e) a management information system data centre.

TIMB has implemented the e-Agency module for foreign workers insurance since November 2012 and the other various front end agency modules which form part of the new core insurance system will be rolled out in stages.

6.9 RISK MANAGEMENT AND INTERNAL CONTROLS

Management of risk exposure is fundamental to our operation and our long-term growth. Our risk management policy is designed to ensure that risks which could undermine our strategy, reputation and long-term viability are identified and addressed. In addition, there is an on-going oversight of the adequacy and effectiveness of our risk management policy by our Audit and Risk Committee. Our Audit and Risk Committee comprised Ng Soon Lai @ Ng Siek Chuan as Chairman, Razman Hafidz Bin Abu Zarim and Tan Hong Kheng. It reports directly to our Board. Our Audit and Risk Committee is assisted by our Group Risk Department, which is spearheaded by Liyana Abdullah, who is in turn supported by working committees at both the TIH level and the TIMB level in each case with representation by the chief executive officer of the respective entities.

Our Group Risk Department works closely with our Group Internal Audit Department, which reports directly to our Audit and Risk Committee.

As TIMB is subject to more stringent regulations than our other subsidiaries, it has a separate risk management committee that designs and implements a risk management framework for TIMB. This committee comprises Chee Siew Eng (Independent Chairman), Mohd Yusof Bin Hussian (Independent Director) and Peter Dixon Miller (Director) and reports to the board of directors of TIMB. TIMB has in addition, a separate audit committee, investment committee and nomination and remuneration committee.

6.10 INSURANCE

We believe that we have insured each of our properties in accordance with industry practice in Malaysia. Our insurance policies cover risks related to fire, business interruption and public liability (including third parties' property damage and/or personal injury). We also maintain other insurance policies for our employees, including personal accident insurance and group medical insurance policies for our employees and their dependents.

Our insurance policies are reviewed annually to ensure that we have sufficient insurance coverage.

We believe that our current insurance coverage is adequate and sufficient for our current operations as at the LPD. However, any significant damage to our properties or disruptions to our operations, whether as a result of fire, natural and/or man-made causes, may still negatively impact our results of operations or financial position.

6.11 COMPETITION

We face competition in our online and other general insurance businesses. We compete based on factors including pricing, size and reach of our distribution channels, product design features, customer services, reputation, perceived financial strength and our experience in the line of the insurance to be underwritten.

We are the exclusive manager of insurance products for customers of AirAsia and hotels operated by Tune Hotels and our products are offered in the course of the booking process for flights and/or rooms (as the case may be), which is one of the earliest points of time at which customers would consider purchasing travel insurance. Consequently, we believe that we face limited competition for AirAsia and Tune Hotel's customers for these products. AirAsia customers may however, have purchased annual travel insurance from our competitors or may have received complimentary travel insurance, although we believe such policies provide less coverage than our Travel Protection Plan, from these competitors when they pay for their air tickets using certain credit cards. Please refer to Section 7.5 of the IMR Report for details of our competitors.

In our other general insurance business in Malaysia, we face competition from domestic non-life insurance companies as well as life insurance companies and foreign-invested insurers operating in Malaysia.

For our other insurance products, the success of our sales and distribution channel lies in the capabilities of our agents. Agents in Malaysia are permitted to sell products of up to two insurance companies and we compete with other insurance companies for agency sales. We will mitigate the effects of competition by leveraging our extensive database of customers and utilising customer information to customise product offerings. We also face competition in developing relationships with key corporate customers for our corporate insurance products.

Some of our competitors are large multinational insurance companies that offer a wider range of insurance products than us and have a substantial capitalisation which allows them to diversify their risk portfolio and underwrite more sophisticated risks.

We face significant competition for the products offered by TIMB as many of these are standard insurance products offered by many insurance companies in Malaysia. The premiums for motor insurance products, in particular, are subject to tariff and we are unable to significantly distinguish ourselves based on premiums.

In addition, we currently do not have financial strength ratings, which could result in a reduction in the number of insurance and reinsurance contracts we write and a loss of business as our customers move to competitors with a financial strength rating. We intend to seek financial strength ratings for our Group in the future from established credit rating agencies to further establish our competitive position in the insurance and reinsurance industry.

6.12 PRODUCT DEVELOPMENT

We have recently started a dedicated resource for research and product development in November 2012. The roles and responsibilities of our research and product development include:

- establishing a product development framework, which covers a complete and rigorous product development process including the setup of a product development committee;
- researching on market needs;
- developing new products; and
- conducting product rationalisation (if and when necessary).

6.13 LICENCES

During the course and nature of operations, we are required to comply with local regulatory and governmental licensing requirements. The major licences, permits and registrations of our Group as at the LPD, together with the conditions attached and status of compliance are as follows:

Company	Issuing Authority	Type of Licences	Issue Date / Validity Period	Salient Conditions	Status of Compliance
TMGR	Labuan FSA	Licence to carry on Labuan general reinsurance business	Issued on 26 May 2011. No expiry date.	The holder of a licence to carry on the Labuan reinsurance business must ensure that such licence is not transferred and submit any change in ownership of the licensee to Labuan FSA for its approval.	Compliant
TMLR	Labuan FSA	Licence to carry on Labuan life reinsurance business	Issued on 15 June 2011. No expiry date.	The holder of a licence to carry on the Labuan reinsurance business must ensure that such licence is not transferred and submit any change in ownership of the licensee to Labuan FSA for its approval.	Compliant
TIMB	Minister of Finance	Licence to operate a general insurance business	Issued on 23 April 2003. No expiry date	Not applicable	Not applicable
TIL	Labuan FSA	Licence to carry on business as an offshore captive insurer	Issued on 28 April 2009. No expiry date.	The holder of a licence to carry on the Labuan reinsurance business must ensure that such licence is not transferred and submit any change in ownership of the licensee to Labuan FSA for its approval.	Compliant

Save as disclosed above, we are not dependent on any major licences for our business operations.

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6. BUSINESS OVERVIEW *(Cont'd)*

6.14 PROPERTIES AND FIXED ASSETS

6.14.1 Owned Properties

As at the LPD, we own the following properties:

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure	Encumbrances	Land Area and Built – up Area	Audited NBV as at 31 December 2011 RM'000	Issuance Date of Certificate of Fitness for Occupation
TIMB	No. 36, Jalan Ampang, 50450 Kuala Lumpur	A 4-storey intermediate shop-office which we use as our Head Office	Freehold	None	5,048.26 sq ft with built-up area of 19,859.39 sq ft (main floor) and 322.91 sq ft (ancillary)	4,870	30 July 2003
TIMB	No. 38, Jalan Ampang, 50450 Kuala Lumpur	A 3 ½-storey intermediate shop-office which we use as our Head Office, save for a room with an area of 221 sq ft has been leased to AIOI Nissay Dowa Insurance Agency Singapore Pte Ltd for a term of one year commencing 1 April 2012	Freehold	None	5,952.43 sq ft with built-up area of 17,322.99 sq ft (main floor) and 1,086.93 sq ft (ancillary)	4,035	16 June 1966
TIMB	No. 77, Jalan Kapar, 41400 Klang, Selangor	A 4-storey corner shop-office which has been leased to CIMB Bank Berhad for a term of three years commencing 1 August 2011	Freehold	None	5,295.83 sq ft with built-up area of 20,209.00 sq ft (main floor) and 987.04 sq ft (ancillary)	2,417	Not available (*)
TIMB	No. 37, Jalan 3/62A, Bandar Manjalara, 52200 Kepong, Kuala Lumpur	A 4-storey intermediate shop-office which we use as our store save for the ground floor and the first floor measuring an area of 3,492 sq ft. has been leased to Amekim Furnishing Sdn Bhd for a term of two years commencing 1 May 2012 and currently used as home furnishing store dealing with curtains	Lease-hold for 99 years ending 25 August 2077	None	1,765.27 sq ft with built-up area of 6,765.97 sq ft (main floor) and 220.01 sq ft (ancillary)	544	14 November 2000

Note:

* *TIMB does not have in its possession the certificate of fitness for occupation of this property, and has on 27 September 2011 applied to the local authority, Majlis Perbandaran Klang for a copy of the same. The local authority, Majlis Perbandaran Klang, has informed TIMB that it is unable to provide the certificate of fitness for occupation. However, Majlis Perbandaran Klang affirmed that, in principle, the property can be used for the purpose that it was built.*

TIMB has on 3 September 2012, submitted a further application to Majlis Perbandaran Klang for the certificate of fitness for occupation. Majlis Perbandaran Klang has informed TIMB that it would require approximately two months to ascertain whether a copy of the original certificate of fitness for occupation can be located from its records. TIMB has been further informed that in the event Majlis Perbandaran Klang is unable to locate a copy of the certificate of fitness for occupation, TIMB will be required to apply for a new certificate of completion and compliance, and the process will take approximately six to seven months.

In addition, in the land title documents, the land on which the said property is situated is classified or categorised as industrial. TIMB has on 6 September 2012, submitted an enquiry to the Klang district and land office to ascertain the classification/category of land use of the land on which the said property is situated and informed the Klang district and land office of the current usage of the said property. TIMB has been informed by the Klang district and land office that TIMB would be advised on the next course of action once the Klang district and land office has completed a review of its records.

It is the intention of TIMB to obtain a copy of the certificate of fitness for occupation or if required, apply for a new certificate of completion and compliance from Majlis Perbandaran Klang as well as to convert or rectify the classification/category of land use in the land title documents as soon as possible. We expect the whole process to take no longer than 18 months from the date of this Prospectus to complete. Further, upon Listing, we shall make half yearly announcements to Bursa Securities on the remedial actions taken and upon such announcements, update the SC on the same.

6.14.2 Rented Properties

In addition, as at the LPD, we also leased the following properties for our operations:

Tenant	Landlord	Address	Description/ Existing Use	Rental Period	Annual Rental RM	Approximate Built-up and Tenanted Area (sq ft)
TIMB	OCBC Bank (Malaysia) Berhad	No. 11, Leboh Union, 10200 Penang	A 4-storey shop-office which we leased the ground, first and second floors for the operation of our Penang Branch Office	1.5 years from 16 November 2011	216,000	10,550
TIMB	Fascimark (M) Sdn Bhd	Ground and first floor, No. 52, Jalan Medan Istana, Bandar Ipoh Raya, 30000 Ipoh, Perak	A 2-storey shop-office which we leased for the operation of our Ipoh Branch Office	2 years from 1 August 2012	24,000	2,740
TIMB	Malayan Real Property Sdn Bhd	No. 529 & 530, Ground Floor, Taman Melaka Raya, 75000 Melaka	A 3-storey shop-office which we leased the ground floor for the operation of our Melaka Branch Office	3 years from 1 January 2010	38,400	2,418
TIMB	Kartika Pintar Sdn Bhd	Ground Floor, A 109, Sri Dagangan, Jalan Tun Ismail, 25000 Kuantan	A 2-storey shop-office which we leased the ground floor for the operation of our Kuantan Branch Office	2 years from 1 February 2012	36,000	1,320

6. BUSINESS OVERVIEW *(Cont'd)*

Tenant	Landlord	Address	Description/ Existing Use	Rental Period	Annual Rental RM	Approximate Built –up and Tenanted Area (sq ft)
TIMB	N.S. Kwongsai Association	Ground Floor, No. 12, Jalan Dato' Lee Fong Yee, 70000 Seremban, Negeri Sembilan	A 3-storey shop-office which we leased the ground floor for the operation of our Seremban Branch Office	2 years from 1 October 2011	28,800	2,200
TIMB	Koperasi Guru-Guru DTC Malaysia Berhad	No. 702, Ground Floor, Seksyen 9, Jalan Tok Hakim, 15000 Kota Bharu, Kelantan	A 3-storey shop-office which we leased the ground floor for the operation of our Kota Bharu Branch Office	2 years from 1 May 2011	19,200	1,600
TIMB	Foo Shui Ceong	No. 703, Ground Floor, Seksyen 9, Jalan Tok Hakim, 15000 Kota Bharu, Kelantan	A 3-storey shop-office which we leased the ground floor for the operation of our Kota Bharu Branch Office	2 years from 1 November 2011	19,200	1,600
TIMB	Tampoi Auto Supply Sdn Bhd	No. 77, (Ground Floor), Jalan Glasiar, Taman Tasek, 80200 Johor Bahru, Johor	A 3-storey shop-office which we leased the ground floor for the operation of our Johor Bahru Branch Office	3 years from 1 August 2011	58,800	2,400
TIMB	Anak Sabah Motor Sdn Bhd	Ground Floor and 1st Floor, No.15, Jalan Pantai, Kota Kinabalu	A 2-storey shop-office which we leased for the operation of our Kota Kinabalu Branch Office	3 years from 1 February 2010	75,600	2,400
TIMB	Mahindir Singh	Lot 579, Ground Floor and 1st Floor, Section 10 Kuching Town Land District	A 3-storey shop-office which we have leased the ground and first floors for the operation of our Kuching Branch Office	3 years from 1 October 2011	54,000	2,200
TIMB	Khoo Khoon Hong and Wang Ming Eng	No. 132-A, Jalan Masjid, Taman Pekan Baru, 08000 Sungai Petani, Kedah	A 4-storey shop-office which we leased the ground floor for the operation of our Sungai Petani Branch	1 year from 1 May 2012	16, 800	1,020
TIMB	David Lim Chin Chai	Lot 807, Ground Floor, Block 7, Jalan Bintang Jaya, 98007 Miri, Sarawak	A 3-storey shop-office which we leased the ground floor for the operation of our Miri Branch	3 years from 1 November 2011	26,400	1,200
TIMB	Nip Wing Him	TB 4620, Block B, Ba Zhong Commercial Centre, Jalan Tawau Lama, 91000 Tawau, Sabah	A 3-storey shop-office which we leased the ground and first floors for the operation of our Tawau Branch	2 years from 1 January 2011	43,200	1,410
TIMB	Meditek Equipment Sdn Bhd	No. 28-1 (Ground Floor), Jalan 14/22, The Right Angle, 46100 Petaling Jaya, Selangor Darul Ehsan	A 3-storey shop-office which we leased the ground floor for the operation of our Petaling Jaya Branch	2 years from 1 May 2012*	45,600	1,341

Tenant	Landlord	Address	Description/ Existing Use	Rental Period	Annual Rental RM	Approximate Built –up and Tenanted Area (sq ft)
TIMB	Kesaniaga Sdn Bhd	No. 57, Ground Floor and First Floor, Jalan Snuker 13/28, Seksyen 13, 40100 Shah Alam, Selangor	A 2-storey shop-office which we leased for the operation of our Shah Alam Branch	3 years from 1 March 2011	60,000	2,800
TIMB	Ace Property Maintenance Sdn Bhd	No. 53-G, Jalan Puteri 2/3, Bandar Puteri, 47100 Puchong	A 4-storey shop-office which we leased the ground floor for the operation of our Puchong Branch	2 years from 1 June 2011	48,000	3,442
TIMB	Daphne Lim	Ground Floor, No. 120-J, Jalan Sultan Ismail, 20200 Kuala Terengganu	A 4-storey shop-office which we leased the ground floor for the operation of our Kuala Terengganu Branch	Monthly	2,100 (monthly)	1.084

Note:

* *We had on 3 October 2012, served a 90-day notice to the landlord, Meditek Equipment Sdn Bhd to terminate our tenancy of this property in view of the amalgamation of our Petaling Jaya branch and Shah Alam branch.The termination is effective as at 2 January 2013.*

Save for the matters highlighted above (in relation to the owned property located at No.77 Jalan Kapar, 41400 Klang, Selangor), we are in compliance in respect of all regulatory requirement, land rules or building regulation and environmental issue which may materially affect our Group's operations in respect of the properties owned and rented by our Group.

6.15 INTELLECTUAL PROPERTY

As at the LPD, we do not own any trademarks.

Use of the "AirAsia INSURE" trademark was granted to us on a non-exclusive basis by AirAsia under the respective AA Distribution Agreements for the duration of the respective agreements. In addition, under the distribution agreement with AirAsia X Berhad, we were granted a non-exclusive licence to use the marks of AirAsia X Berhad for the duration of the agreement.

Pursuant to the Tune Hotels BCA, we were granted the use of the "Tune Hotels" trademark on a non-exclusive basis for the duration of the agreement in tandem with our introduction of the Tune Hotels Lifestyle Protection Plan.

In addition, and under a licensing agreement entered into with Tune Group.com Limited, we were granted a licence to use the "Tune Insurance" trademark on an exclusive and perpetual basis. A royalty is to be paid to the licensor.

Under a merchant partner agreement with Think Big Digital Sdn Bhd, we were granted a non-exclusive licence for the duration of the agreement to use the marks of Think Big Digital Sdn Bhd in advertising and promotional materials in connection with our participation in the "BIG" loyalty programme.

Further, pursuant to a travel insurance service agreement with AirAsia Expedia, we were granted a non-exclusive licence to use the marks of AirAsia Expedia and its affiliates for the duration of the agreement.

6.16 CUSTOMERS AND SUPPLIERS

We operate an online insurance business through which insurance products are offered to the customers of our partners as part of their online booking process with our partners, and an other general insurance business in Malaysia, through our subsidiary, TIMB.

Our Online Insurance Business

We market our online insurance product offerings through the websites of our online partners who enter into business collaboration arrangements with our local insurance partners. These local insurance partners in turn underwrite the insurance policies purchased online by the customers of our online partners. We then enter into reinsurance arrangements with each of these local insurance partners, who are required to cede to us their underwriting risk under a "quota-share" arrangement.

As part of our online insurance business, we have entered into the AA Distribution Agreements. Pursuant to these agreements and the corresponding agreements that AirAsia has with each of our local insurance partners, AirAsia receives a portion of the premium paid by customers of our Travel Protection Plan, as commission. We and the respective local insurance partner account for the premium received and the commission paid to AirAsia proportionately according to the agreed "quota-share" as described in Section 11.5.1 – "Premiums – Online Insurance Business" of this Prospectus. AirAsia is also reimbursed a portion of the premium paid, subject to applicable regulations, for promoting and marketing this plan.

For FY2009, FY2010 and FY2011, the gross premiums received by our general reinsurance subsidiaries TIL and TMGR derived from our Travel Protection Plan contributed approximately 11.7%, 15.1% and 18.4% to our pro forma gross earned premiums.

For the purposes of this Section 6.16, we have regarded our local insurance partners who underwrite our Travel Protection Plan and Tune Hotels Personal Accident Plan, and RGA Global with respect to the AA Lifestyle Protection Plan and Tune Hotels Lifestyle Protection Plan as our customers in relation to our online insurance business when the premiums are ceded to our subsidiaries (TIL, TMGR and TMLR).

For FY2009, FY2010 and FY2011, our local insurance partner, Multi-Purpose Insurans Bhd which underwrites our Travel Protection Plan contributed 11.7%, 15.1% and 18.1% to our pro forma gross earned premiums. Save for Multi-Purpose Insurans Bhd, none of our customers contributed 10.0% or more to our pro forma gross earned premiums for FY2009, FY2010 and FY2011.

For the corresponding periods, the commissions and marketing expenses paid and/or reimbursed via our local insurance partners (including Multi-Purpose Insurans Bhd) to AirAsia accounted for approximately 14.5%, 18.4% and 20.0% to our pro forma expenses (comprising among others, fees and commissions, management expenses and other operating expenses).

Our Other General Insurance Business in Malaysia

We underwrite general insurance policies directly in Malaysia and market our insurance products through TIMB's agents.

In relation to our other general insurance business, we have regarded the corporate entities and individuals, who had purchased our general insurance products through TIMB, as our customers. No individual customer or corporate entity accounted for 10.0% or more of our pro forma gross earned premium for FY2009, FY2010 and FY2011.

Due to the nature of our business, we do not have suppliers.

6.17 BUSINESS INTERRUPTION

We have not experienced any material interruption in business which had a significant effect on our operations during the past 12 months preceding the LPD.

6.18 DEPENDENCY ON COMMERCIAL CONTRACTS

The following contracts and arrangements, being contracts and arrangements within the ordinary course of business, are those which we are highly dependent on and are material to our business or profitability.

6.18.1 Distribution agreement dated 20 April 2012 between ourselves and AirAsia Berhad

AirAsia Berhad has agreed, and shall use its best efforts to procure its affiliates to agree, to outsource and appoint us to manage the insurance business of AirAsia Berhad and its affiliates in the following countries that AirAsia Berhad and its affiliates are or will be operating in, namely, but not limited to the following: (a) Malaysia, (b) Thailand, (c) Indonesia, (d) Macau, (e) Singapore, (f) Cambodia, (g) the Philippines, (h) Vietnam, (i) China, (j) Australia, (k) Hong Kong, (l) Laos, (m) New Zealand, (n) India, (o) Japan and (p) Taiwan and such other country as may be informed by AirAsia Berhad and/or its affiliates.

We have been granted the right to access the information and/or records of the customers of AirAsia Berhad and its affiliates.

We have also been granted a limited, non-exclusive, non-transferable and non-sublicensable right to use, display and reproduce the "AirAsia INSURE" trademark for the duration of this agreement.

This agreement is for a period of 10 years commencing from 20 April 2012.

With respect to our Travel Protection Plan, we will procure our local insurance partners to pay and/or reimburse AirAsia Berhad for the following:

- commissions at the maximum regulated commission rate (where applicable) or if no such regulated rate exists, a maximum of 30% of the gross premium of our Travel Protection Plan;
- an amount equivalent to 5% of the gross premium of our Travel Protection Plan (subject to applicable regulations) as reimbursement of marketing expenses incurred by AirAsia Berhad and its affiliates for the purposes of directly or indirectly promoting such plan ("**Marketing Reimbursement**"); and
- up to 10% of the underwriting profit derived from our Travel Protection Plan as underwriting profit commission (subject to applicable laws and regulations).

With respect to our AA Lifestyle Protection Plan, the revenue to be received by us from our local insurance partners ("**Revenue**") is shared between ourselves and AirAsia Berhad as follows:

- AirAsia's portion shall be the Revenue less an amount equivalent to 12.5% of the gross premium of the AA Lifestyle Protection Plan or 50% of the Revenue, whichever is the higher; and
- our portion shall be 12.5% of the gross premium of the AA Lifestyle Protection Plan or 50% of the Revenue, whichever is the lower.

The appointment of us as manager and the grant of the right as set out above is solely and exclusively to us and AirAsia Berhad shall not engage any third party to manage the insurance business or grant the right to use the information and/or records of the customers of AirAsia Berhad and its affiliates to any third party for the purposes of the same and we agree to manage the insurance business of AirAsia Berhad and its affiliates solely and exclusively for AirAsia Berhad and its affiliates, and shall not engage with other competing parties for similar services provided under the agreement unless approved by AirAsia Berhad in writing.

Where we provide travel insurance to other airlines, AirAsia Berhad and/or its customers shall enjoy terms which are no less favourable than the terms offered to those other airlines and/or their customers. In the event that other airlines and/or their customers enjoy terms which are more favourable than AirAsia Berhad, then the terms for AirAsia Berhad shall be adjusted accordingly failing which the parties agree on a rebate mechanism which ensures parity of the terms.

This agreement may be terminated in the following circumstances: (a) breach of a material term by either party, (b) changes in the legal or regulatory requirements that would render the performance of any material terms illegal, and (c) insolvency (or similar circumstance) of any party. There are no penalties payable in the event of termination by either party.

6.18.2 Distribution agreement dated 4 October 2012 between ourselves and PT Indonesia AirAsia

The terms of this agreement are materially similar to the distribution agreement between ourselves and AirAsia Berhad as set out in Section 6.18.1 of this Prospectus save that:

- this agreement is for a period of 15 years commencing from 4 October 2012; and
- this agreement does not provide for a similar Marketing Reimbursement.

6.18.3 Distribution agreement dated 5 October 2012 between ourselves and Thai AirAsia Co. Ltd

The terms of this agreement are materially similar to the distribution agreement between ourselves and AirAsia Berhad as set out in Section 6.18.1 of this Prospectus save that:

- this agreement is for a period of 5 years commencing from 5 October 2012; and
- this agreement does not provide for a similar Marketing Reimbursement.

6.18.4 Distribution agreement dated 4 October 2012 between ourselves and AirAsia X Berhad

The terms of this agreement are materially similar to the distribution agreement between ourselves and AirAsia Berhad as set out in Section 6.18.1 of this Prospectus save that:

- this agreement is for a period of 15 years commencing from 4 October 2012; and
- this agreement does not provide for a similar Marketing Reimbursement.

6.18.5 Distribution agreement dated 4 October 2012 between ourselves and AirAsia Inc

The terms of this agreement are materially similar to the distribution agreement between ourselves and AirAsia Berhad as set out in Section 6.18.1 of this Prospectus save that:

- this agreement is for a period of 15 years commencing from 4 October; and
- this agreement does not provide for a similar Marketing Reimbursement.

6.18.6 Distribution agreement dated 28 September 2012 between ourselves and AirAsia Japan Co., Ltd

The terms of this agreement are materially similar to the distribution agreement between ourselves and AirAsia Berhad as set out in Section 6.18.1 of this Prospectus save that:

- this agreement is for a period of 10 years commencing from 28 September 2012; and
- this agreement does not provide for a similar Marketing Reimbursement.

6.18.7 License agreement dated 27 September 2012 between ourselves and Tune Group.com Limited

Tune Group.com Limited has agreed to grant, and we have accepted, the exclusive, territorially limited right and license during the term of this agreement to use, reproduce and incorporate the "Tune Insurance" trademark in connection with the conduct of the business of our Group including but not limited to the marketing, advertising and promotion of the business of our Group.

The right and license granted to us shall extend only to the following territories, namely (a) Malaysia, (b) Indonesia, (c) Thailand, and (d) any other South East Asian countries as agreed upon in writing from time to time between ourselves and Tune Group.com Limited.

The term of this agreement shall be effective as at the date of this agreement and shall continue to subsist indefinitely unless sooner terminated in accordance with the terms of this agreement including, in the event of a material breach by either party. In addition, Tune Group.com Limited shall be entitled to terminate this agreement by giving us not less than three months notice in writing.

In consideration of the rights granted to us under this agreement, we have agreed to pay Tune Group.com Limited the following:

- a nominal license fee of USD10,000.00 upon the execution of this agreement; and
- on an annual basis, a royalty fee of 2% of our operating revenue unless otherwise agreed by Tune Group.com Limited in writing.

Save as disclosed above, we are not dependent on any material contracts or agreements including licences, industrial, commercial and financial contracts, which are material to our business or profitability.

6.19 SEASONALITY OF THE BUSINESS

We experience seasonal fluctuations in our business, mostly within an annual cycle. In particular, we achieve higher gross earned premiums for our Travel Protection Plan during periods of high travel volume such as festivals and holidays in particular during the first and fourth quarters of each calendar year as compared with the second and third quarters. We do not experience any significant seasonality trends for our general insurance in relation to TIMB's business.

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Final Report

Independent Report of the Industry Consultants
Tune Ins Holdings Berhad

prepared for

Tune Ins Holdings Berhad
Kuala Lumpur

prepared by

The S-A-P Group
Bangkok and San Francisco

Milliman Ltd
Hong Kong

TABLE OF CONTENTS

TABLE OF CONTENTS--continued

ABBREVIATIONS AND DEFINITIONS

A&H	Accident and Health
AACP	Ayudhya Allianz Charoen Pokphand Life
AAJI	Indonesia Life Insurance Association
AAMI	Australian Associated Motor Insurers Limited
AIA	American International Assurance
AirAsia	AirAsia Berhad
AirAsia Group	AirAsia Berhad, AirAsia Japan Co. Ltd., AirAsia X Berhad, AirAsia Philippines Inc., PT Indonesia AirAsia, and Thai AirAsia Company Limited
APE	Annual Premium Equivalent
ASEAN	Association of Southeast Asian Nations
Bapepam-LK	The Capital Market and Financial Institution Supervisory Board (Indonesia's insurance regulator)
BNM	Bank Negara Malaysia (Central Bank of Malaysia)
BPJS	Social Security Providers Bill (Indonesia's new social security law)
CAGR	compound annual growth rate
CAPA	Center for Asia Pacific Aviation
Cigna CMC	Cigna and China Merchants Club Life Insurance Company
CMFISA	The Capital Market and Financial Institution Supervisory Board (Indonesia's insurance regulator)
DMTM	Direct Mail and Telemarketing
DRTV	Direct response television
E	estimated (eg, 2015E represents estimated data for 2015)
GDP	Gross Domestic Product
GWP	Gross Written Premium
IATA	International Air Transport Association
IMF	International Monetary Fund
km	kilometre(s)
KLIA	Kuala Lumpur International Airport
LCC	low-cost carrier
MAHB	Malaysia Airports Holdings Berhad
Milliman	Milliman Ltd
n.a.	not available or not applicable
OIC	Office of Insurance Commission (Thailand's insurance regulator)
OJK	Otoritas Jasa Keuangan (The new Indonesian insurance regulator that will replace Bapepam-LK)
PA	Personal Accident
RBC	Risk Based Capital
RHB	RHB Bank Berhad
RM	Malaysian Ringgit

ABBREVIATIONS AND DEFINITIONS--continued

RPK	revenue passenger kilometre(s) (one revenue passenger flown one kilometre)
S-A-P	The S-A-P Group (Strategic Airport Planning Ltd)
SIA	Singapore Airlines Limited
Sinarmas MSIG	Sinarmas Mitsui Sumitomo Insurance Group
Southeast Asia	Brunei, Burma, Cambodia, East Timor, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam. The definition of Southeast Asia may differ slightly in select tables, as noted herein.
TIH	Tune Ins Holdings Berhad
TLAA	The Thai Life Assurance Association
US	United States
YTD	year-to-date

IMPORTANT NOTES

The S-A-P Group (Strategic Airport Planning Ltd) and Milliman Ltd were asked by Tune Ins Holdings Berhad (TIH) to prepare this Independent Report of the Industry Consultants regarding aviation and travel insurance demand in the Asia-Pacific region. This independent expert report was prepared to be included in the documentation (including, but not limited to any prospectus or offering circular) in support of the Initial Public Offering of Tune Ins Holdings Berhad expected to occur in 2013.

The S-A-P Group (S-A-P) is an aviation consulting firm that specialises in the preparation of aviation activity forecasts and strategic business plans. Over the past 16 years, S-A-P staff has prepared forecasts of aviation activity in the Asia-Pacific region. In addition, S-A-P reports have supported the initial public offering circulars of several Southeast Asia-based carriers, including AirAsia Berhad, Thai AirAsia, AirAsia X Berhad, Garuda Indonesia Airlines, and Tiger Airways.

Milliman Ltd is wholly owned and managed by approximately 400 Principals, who have been elected in recognition of their technical, professional and business achievements. Our sole business is providing independent consulting services. We are not affiliated with any public accounting or brokerage firms. Milliman Ltd's clients include the leading insurance institutions in the Asia-Pacific region. Milliman Ltd consultants have extensive market knowledge, initial public offering, and merger and acquisition experiences across Asia. In particular, Milliman Ltd performed actuarial services for PICC Property and Casualty Limited and China Pacific Insurance Group in their proposed initial public offerings.

This report includes forecasts and other forward-looking estimates. These forecasts and forward-looking estimates are necessarily based on various assumptions that are inherently subject to risks and substantial uncertainties. Among these are the possible invalidity of the underlying assumptions and estimates and possible changes or development of social, economic, business, industry, market, legal, government, and regulatory circumstances, conditions and actions taken or omitted by others.

Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic and competitive market conditions and future governmental, regulatory and business decisions, all of which are difficult or impossible to predict with any degree of accuracy. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements. Readers of this report should not place undue reliance on such statements, or on the ability of us or any third party, to accurately predict future industry trends or market performance.

This report contains information supplied by and analysis based on public and private sources. To the extent such sources have been cited herein, we hereby confirm that we are allowed to reference such sources. Although we believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information, we have not verified the data for accuracy or completeness and make no representation with respect to information from any source external to us.

We have relied on such information in the preparation of this report. If the information from such sources is inaccurate or incomplete, the information contained in this report may likewise be inaccurate or incomplete. Some amounts in this report are rounded. Financial and operating data for some air carrier groups may include cargo and other activities.

The results shown in this report are not intended to represent an opinion of market value and should not be interpreted in that manner.

We acknowledge that this report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 214 of the Capital Markets and Services Act 2007 of Malaysia.

We further acknowledge that if we are aware of any significant changes to the information contained in this report either prior to the issue date of the Prospectus or after the issue date of the Prospectus, but before the issue date of the securities, we have an on-going obligation to either cause this report to be updated so as to correct any inaccuracies, and, where applicable, cause TIH to issue a supplementary prospectus, or, should they fail to do so, withdraw our consent to the inclusion of this report in the Prospectus.

* * * * *

Date of report: 10 January 2013

STRATEGIC AIRPORT PLANNING LTD

Bill A. Matz
Managing Director
The S-A-P Group

MILLIMAN LTD

Cathy Hwang
Principal and Consulting Actuary
Milliman Ltd

INDEPENDENT REPORT OF THE INDUSTRY CONSULTANTS

Tune Ins Holdings Berhad

1 INTRODUCTION

Aviation and travel insurance products are driven by common drivers: a desire by consumers to travel. Historically, the sale of travel insurance products has been performed by travel agents or at airport counters or kiosks. With the introduction of airline and travel agency websites that allow for the online purchase of airlines tickets and other travel products, access to potential buyers of travel and other insurance products has expanded.

Airlines, especially low-cost carriers, and online travel agencies have strongly embraced the revenue generating opportunities of selling ancillary products such as travel insurance. As a result, the promotion of these ancillary products on travel-related websites has increased the exposure of insurance products to potential customers.

Aviation traffic is growing along with the economic and population growth occurring in Asia. Many countries in Asia are in an economic stage that is resulting in the emergence of a growing middle class with increasing levels of discretionary income to spend on travel. At the same time, liberalisation of the aviation industry in the region has reduced the costs of travel, increasing the potential for more people to fly.

The insurance market also expands with the thriving economy in Asia. For instance, the demand for commercial property and marine cargo and hull insurance increases with trade activities and motor insurance market grows with the number of cars on the road. On the consumer side, as disposable income increases and general awareness for insurance products increases, more consumers purchase personal protection such as life and accident and health insurance. As the aviation and travel industry develop, compounded with the increasing demand for insurance protection, travel insurance industry thrives.

1.1 Report Approach

This report represents the compilation of analysis performed by aviation industry consultants
(The S-A-P Group) and travel insurance industry consultants (Milliman Ltd.)

The aviation industry sections of this report, which were prepared by The S-A-P Group, document historical and forecasted aviation growth and the factors driving aviation growth in Asia. The sections highlight the growth and market share of AirAsia Group carriers, which partner with TIH to sell travel insurance to its customers.

The insurance industry sections of this report, which were prepared by Milliman, provide an overview of the non-life and direct life insurance market in Asia. The sections discuss historical and current trends in Asia insurance markets with focus on several selected markets.

Sections 1 to 6 were authored by The S-A-P Group (S-A-P) and Sections 7 to 9 were authored by Milliman Ltd (Milliman).

2 FACTORS DRIVING AVIATION INDUSTRY GROWTH IN ASIA

2.1 Economics and Population

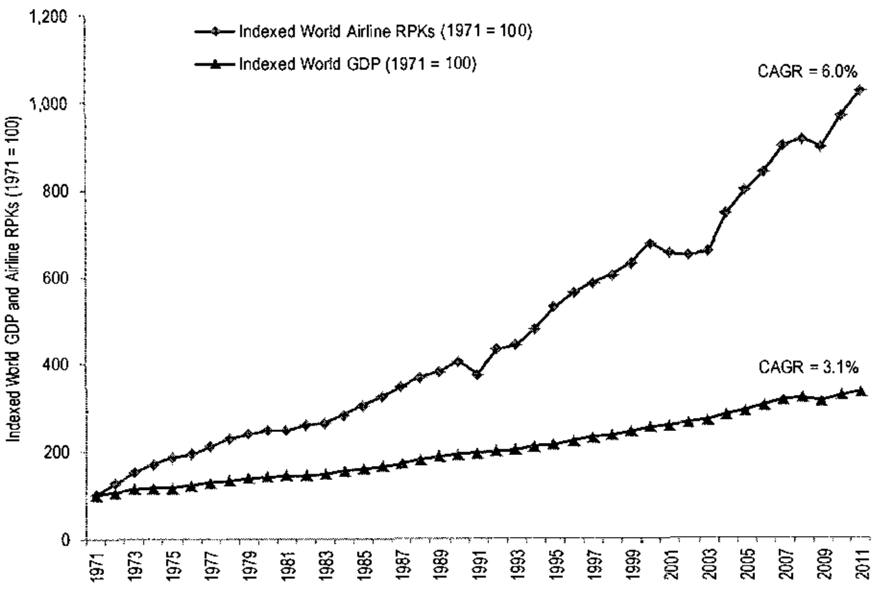
2.1.1 *World GDP and Air Travel Activity*

Historically, air travel activity has shown a strong statistical relationship with overall economic activity, as measured by gross domestic product (GDP). Over the last four decades, world airline activity has grown at average rates per annum of approximately double those of world GDP.

Figure 1, below, shows that from 1971 to 2011, world GDP grew at a CAGR (compound annual growth rate) of 3.1%, while world airline RPKs grew at approximately twice that rate, at a CAGR of 6.0%.

Figure 1

RELATIONSHIP BETWEEN WORLD GDP AND WORLD AIRLINE RPKs
1971 to 2011



Sources:
RPKs: Airline Monitor and Boeing Current Market Outlook, multiple years including 2011
(RPKs = revenue passenger kilometers for all airlines)
GDP: World Bank, World Development Indicators, 2011 and WTO estimate for 2011
(GDP is World GDP in current US dollars indexed to 1971)

2.1.2 *Per Capita GDP and Air Travel Activity*

Per capita income growth results from growth in GDP levels and employment. Increased disposable income results from growth in the middle class income bracket in countries that are experiencing increased per capita income levels.

In most areas of the world, per capita incomes correlate well with per capita air travel levels. Countries with high per capita incomes tend to have high levels of air travel, while countries with low per capita incomes tend to have lower than average levels of air travel.

As shown in Tables 1 and 2, below, which document key economic indicators for select countries in the Asia-Pacific region, several countries in the region had high rates of growth from 2000 to 2010 for GDP and GDP per capita in current US dollars. The Southeast Asian countries shown below grew at an average CAGR of 11.9% during this period.

According to the International Monetary Fund (IMF), total current GDP for most of the Asian countries shown below are projected to experience strong growth over the next five years, although at mostly slower rates than during the past decade.

Table 1

KEY ECONOMIC INDICATORS: GDP
Select Countries in the Asia-Pacific Region
2000~2017

	GDP (current US$ million)						CAGR Growth	
	Historical amounts			Estimated amounts			Historical	Projected
Country	2000	2005	2010	2011	2012	2017	CY2000~ CY2010	CY2012- CY2017
Indonesia	$ 165,021	$ 285,739	$ 708,352	$ 845,680	$ 928,274	$ 1,592,935	15.7%	11.4%
Cambodia	$ 3,653	$ 6,293	$ 11,255	$ 12,861	$ 14,204	$ 20,986	11.9%	8.1%
Laos	$ 1,640	$ 2,726	$ 6,461	$ 7,891	$ 8,937	$ 12,763	14.7%	7.4%
Vietnam	$ 31,176	$ 52,931	$ 103,575	$ 122,722	$ 135,411	$ 190,126	12.8%	7.0%
Malaysia	$ 93,789	$ 137,960	$ 237,803	$ 278,680	$ 305,826	$ 417,194	9.8%	6.4%
Myanmar	$ 8,905	$ 11,987	$ 45,380	$ 51,925	$ 54,416	$ 72,338	17.7%	5.9%
Philippines	$ 81,023	$ 103,072	$ 199,591	$ 213,129	$ 227,584	$ 299,619	9.4%	5.7%
Thailand	$ 122,725	$ 176,352	$ 318,908	$ 345,649	$ 377,158	$ 494,255	10.0%	5.6%
East Timor	$ 335	$ 815	$ 3,199	$ 4,315	$ 4,073	$ 5,009	25.3%	4.2%
Singapore	$ 94,308	$ 125,429	$ 227,382	$ 259,849	$ 270,020	$ 321,723	9.2%	3.6%
Brunei	$ 6,001	$ 9,531	$ 12,371	$ 15,533	$ 17,092	$ 17,382	7.5%	0.3%
Total for countries shown	$ 608,576	$ 912,835	$ 1,874,277	$ 2,158,234	$ 2,342,995	$ 3,444,330	11.9%	8.0%
India	$ 476,350	$ 808,668	$ 1,597,945	$ 1,676,143	$ 1,779,279	$ 2,628,926	12.9%	8.1%
China	$ 1,198,477	$ 2,256,919	$ 5,930,393	$ 7,298,147	$ 7,991,738	$ 11,598,974	17.3%	7.7%
South Korea	$ 533,385	$ 844,866	$ 1,014,890	$ 1,116,247	$ 1,163,532	$ 1,533,422	6.6%	5.7%
Australia	$ 399,540	$ 732,095	$ 1,245,305	$ 1,488,221	$ 1,585,964	$ 1,833,075	12.0%	2.9%
New Zealand	$ 53,100	$ 111,678	$ 140,787	$ 161,851	$ 180,548	$ 204,216	10.2%	2.5%
Japan	$ 4,731,199	$ 4,571,867	$ 5,488,424	$ 5,869,471	$ 5,980,997	$ 6,531,077	1.5%	1.8%

Source: IMF World Economic Outlook Database, April 2012.
Some amounts are estimated.

Table 2

KEY ECONOMIC INDICATORS: GDP PER CAPITA
Select Countries in the Asia-Pacific Region
2000~2017

	GDP per capita (current US$)						CAGR Growth	
	Historical amounts			Estimated amounts			Historical	Projected
Country	2000	2005	2010	2011	2012	2017	CY2000~ CY2010	CY2012- CY2017
Indonesia	$ 800	$ 1,291	$ 2,981	$ 3,509	$ 3,797	$ 6,071	14.1%	9.8%
Cambodia	$ 288	$ 455	$ 753	$ 852	$ 931	$ 1,309	10.1%	7.0%
Vietnam	$ 402	$ 637	$ 1,174	$ 1,374	$ 1,498	$ 1,982	11.3%	5.8%
Laos	$ 304	$ 464	$ 1,004	$ 1,204	$ 1,338	$ 1,744	12.7%	5.4%
Thailand	$ 1,983	$ 2,825	$ 4,992	$ 5,394	$ 5,851	$ 7,442	9.7%	4.9%
Malaysia	$ 4,030	$ 5,211	$ 8,418	$ 9,700	$ 10,467	$ 13,124	7.6%	4.6%
Myanmar	$ 178	$ 216	$ 742	$ 832	$ 855	$ 1,028	15.4%	3.8%
Philippines	$ 1,055	$ 1,209	$ 2,123	$ 2,223	$ 2,329	$ 2,778	7.2%	3.6%
Singapore	$ 22,791	$ 28,500	$ 43,862	$ 49,270	$ 50,321	$ 55,005	6.8%	1.8%
East Timor	$ 410	$ 862	$ 2,998	$ 3,948	$ 3,640	$ 3,994	22.0%	1.9%
Brunei	$ 18,465	$ 25,759	$ 29,882	$ 36,548	$ 39,382	$ 35,913	4.9%	-1.8%
Average for countries above	**$ 1,172**	**$ 1,632**	**$ 3,117**	**$ 3,539**	**$ 3,786**	**$ 5,174**	**10.3%**	**6.4%**
China	$ 946	$ 1,726	$ 4,421	$ 5,414	$ 5,899	$ 8,350	16.7%	7.2%
India	$ 465	$ 729	$ 1,342	$ 1,389	$ 1,455	$ 2,013	11.2%	6.7%
South Korea	$ 11,347	$ 17,551	$ 20,765	$ 22,778	$ 23,680	$ 30,797	6.2%	5.4%
Japan	$ 37,303	$ 35,787	$ 43,015	$ 45,920	$ 46,973	$ 52,440	1.4%	2.2%
Australia	$ 20,731	$ 35,635	$ 55,475	$ 65,477	$ 68,916	$ 74,856	10.3%	1.7%
New Zealand	$ 13,746	$ 26,962	$ 32,224	$ 36,651	$ 40,454	$ 43,524	8.9%	1.5%

Source: IMF World Economic Outlook Database, April 2012.
Some amounts are estimated.

Rising wages and a broadening distribution of wealth in rapidly developing countries in Asia are resulting in an increasing share of the population with the ability to travel by air. Based on the historical growth that has occurred during a decade with economic slowdowns and other crises, S-A-P expects that the region will continue experiencing economic growth in the future. S-A-P anticipates that as the economy in Asia develops and the middle class grows and becomes a larger share of the population, air travel demand will increase. Asian airlines have the opportunity to benefit from the air travel demand spurred by regional economic growth.

2.1.3 *Population and Urbanisation*

Population growth and urbanisation are expected to result in further air travel growth in Asia. Due to the large populations in selected Asian countries, a small population growth rate can result in large increases in total population numbers. The combination of such population growth and economic development in countries such as China and India can result in significantly increased demand for air travel.

Table 3, below, documents population data for select countries in the Asia-Pacific region. The population of Southeast Asia is estimated by the IMF to grow at a CAGR of 1.5% from 2012 to 2017, which compares to a CAGR estimate of 1.2% for the world during the same period.

Table 3

POPULATION INDICATORS
Select Countries in the Asia-Pacific Region
2000~2017

	Actual Population			Estimated Population			CAGR	
							Historical	Projected
Country	2000	2005	2010	2011	2012	2017	2000~2010	2012~2017
Indonesia	206,265,000	221,398,000	237,641,000	241,030,000	244,468,000	262,404,000	1.4%	1.4%
Philippines	76,790,000	85,260,000	94,010,000	95,856,000	97,737,000	107,871,000	2.0%	2.0%
Vietnam	77,635,000	83,106,000	88,257,000	89,316,000	90,388,000	95,943,000	1.3%	1.2%
Thailand	61,879,000	62,418,000	63,878,000	64,076,000	64,460,000	66,418,000	0.3%	0.6%
Myanmar	50,130,000	55,392,000	61,187,000	62,417,000	63,672,000	70,334,000	2.0%	2.0%
Malaysia	23,275,000	26,477,000	28,251,000	28,731,000	29,219,000	31,789,000	2.0%	1.7%
Cambodia	12,680,000	13,828,000	14,953,000	15,103,000	15,254,000	16,032,000	1.7%	1.0%
Laos	5,403,000	5,880,000	6,437,000	6,556,000	6,678,000	7,320,000	1.8%	1.9%
Singapore	4,138,000	4,401,000	5,184,000	5,274,000	5,366,000	5,849,000	2.3%	1.7%
East Timor	818,000	946,000	1,067,000	1,093,000	1,119,000	1,254,000	2.7%	2.3%
Brunei	325,000	370,000	414,000	425,000	434,000	484,000	2.4%	2.2%
Countries shown above	519,338,000	559,476,000	601,279,000	609,877,000	618,795,000	665,698,000	1.5%	1.5%
China	1,267,430,000	1,307,560,000	1,341,414,000	1,348,121,000	1,354,861,000	1,389,073,000	0.6%	0.5%
India	1,024,250,000	1,110,000,000	1,190,524,000	1,206,917,000	1,223,170,000	1,305,774,000	1.5%	1.3%
Japan	126,831,000	127,752,000	127,594,000	127,819,000	127,329,000	124,543,000	0.1%	-0.4%
South Korea	47,008,000	48,138,000	48,876,000	49,006,000	49,136,000	49,791,000	0.4%	0.3%
Australia	19,273,000	20,544,000	22,448,000	22,729,000	23,013,000	24,488,000	1.5%	1.3%
New Zealand	3,863,000	4,142,000	4,369,000	4,416,000	4,463,000	4,692,000	1.2%	1.0%
World Total	5,970,583,000	6,410,136,000	6,815,272,000	6,865,208,000	6,945,111,000	7,362,940,000	1.3%	1.2%

Source: IMF World Economic Outlook Database, April 2012.
Note: Some amounts are estimated.

Urbanisation rates can serve as an indicator of propensity to travel by air because urban dwellers typically have higher-than-average income levels and are usually located in closer proximity to airports than non-urban dwellers are located. The development of existing and new urban centres is expected to create new destinations for regional travel in Asia.

Countries in Southeast Asia typically have lower rates of urbanisation than do those of the world and the Asia-Pacific region in total. As a result, S-A-P believes that urbanisation rates in Southeast Asia will grow at rates greater than those of more developed regions of the world. As urbanisation and population growth combine with continued economic growth, income per capita is expected to increase, resulting in growth in Asia's middle class consumers.

Table 4, below, documents urbanisation data for select countries in the Asia-Pacific region.

Table 4

URBANISATION INDICATORS
Select Countries in the Asia-Pacific Region
2010~2020

Country	Population		Urbanization (share of total population living in urban areas)		Cities of 1 million persons or greater	
	Estimated	CAGR	Actual	Forecast	Number of cities (a)	Share of urban population in cities of 1 million or greater
					Actual	Actual
	2011	2011~2015	2010	2020	2010	2010
Indonesia	241,030,000	1.4%	44.3%	48.1%	7	20.2%
Philippines	95,856,000	2.0%	48.9%	52.6%	2	28.7%
Vietnam	89,316,000	1.2%	30.4%	37.0%	2	33.6%
Thailand	64,076,000	0.6%	34.0%	38.9%	2	42.9%
Myanmar	62,417,000	2.0%	33.7%	40.7%	3	31.2%
Malaysia	28,731,000	1.7%	72.2%	78.5%	3	17.9%
Cambodia	15,103,000	1.0%	21.1%	23.8%	1	47.8%
Laos	6,556,000	1.9%	33.2%	44.2%	--	--
Singapore	5,274,000	1.7%	100.0%	100.0%	1	100.0%
East Timor	1,093,000	2.3%	100.0%	100.0%	--	--
Brunei	425,000	2.2%	100.0%	100.0%	--	--
Countries shown above	609,877,000	1.5%	42.0%	(b)	21	27.5%
China	1,348,121,000	0.5%	47.0%	55.0%	94	43.6%
India	1,206,917,000	1.3%	30.0%	33.9%	43	41.2%
Japan	127,819,000	-0.4%	90.5%	95.3%	8	54.9%
South Korea	49,006,000	0.3%	82.9%	85.4%	8	57.7%
Australia	22,729,000	1.3%	88.9%	93.8%	5	70.6%
New Zealand	4,416,000	1.0%	86.2%	86.8%	1	37.0%
World Total	6,865,208,000	1.2%	50.4%	54.4%	449	39.8%

Sources: IMF World Economic Outlook Database, April 2012 and UN World Urbanization Prospects: 2011 revision.
Note: 2010~2015 population growth rates represent IMF forecasts. Some 2011 population amounts are estimated.
(a) Cities or agglomerations with populations of greater than 1 million persons.
(b) Average urbanization share not available because the IMF does not publish 2020 population forecasts.

2.1.4 *Economics and Population in AirAsia Group Markets*

AirAsia Group has operations through locally owned and operated carriers in Malaysia, Thailand, and Indonesia. In addition, AirAsia Group recently launched operations using carriers established in Japan and the Philippines. AirAsia Group carriers fly to other countries in the Asia-Pacific region, including the world's two most populous countries: China and India. In the markets that are currently served or targeted by the AirAsia Group, socioeconomic indicators point toward high potential growth in airline traffic. Asia is a high growth continent, with half the world's population and some of the largest and fastest growing countries in the world. The region is also home to several countries that are in the phase of economic development that leads to a burgeoning middle class (i.e., consumers with discretionary income to spend on travel).

As shown in the preceding tables:

- In Malaysia, GDP grew at a 9.8% CAGR from 2000 to 2010 and is projected to continue growing at a still high rate of 6.4% from 2012 to 2017. With a population of 29 million and one of the highest levels of per capita income in Asia, Malaysia is expected to be a strong economic market into the future.
- The economy in Thailand grew at a CAGR of 10.0% from 2000 to 2010 despite serious short-term downturns due to natural disasters and political unrest. Thailand also has a relatively high GDP per capita (fourth highest in ASEAN) and a large population, which is expected to translate into continued strong economic growth.
- Indonesia has the largest population of all the countries in ASEAN with over 240 million people. As GDP per capita has risen to a level where Indonesia has the fifth highest GDP per capita in ASEAN, the country is experiencing the emergence of a large middle class with discretionary income to spend on higher-end products like travel.
- The Philippines has the second largest population in ASEAN with nearly 100 million people. Both GDP and GDP per capita have grown at high CAGRs over the past decade at 9.4% and 7.2%, respectively. With high growth in income and an already large population, the Philippines is expected to be a strong economic market in the future.

While growth in population and income in Japan has been slower compared to growth in the emerging ASEAN countries, income per capita in Japan is one of the highest in the world and over ten times the average per capita income in ASEAN nations as a whole. With a wealthy population already very accustomed to flying, but with a culture of seeking value in product selection, Japan is expected to be a strong growth area for aviation as LCCs enter the market.

China and India are the largest countries in the world. With close proximity to ASEAN nations and cultural and economic ties to countries in the region, it is expected that these markets will continue to be a source of strong economic growth for businesses that target them.

2.2 Trade

Increased intra-regional business and reduced trade barriers between countries generate cross-border travel demand. High levels of trade and other commercial activities lead to increased demand for travel, which includes air travel for business and tourism. Countries with competitive aviation industries generate increased levels of aviation activity per capita.

According to the World Trade Organization, global trade growth has slowed in recent years. The primary reasons were slow economic growth, particularly in European countries, and shocks to the global economy such as the earthquake and tsunami in Japan. However, despite the decreasing growth rates, trade is expected to continue growing at stronger rates in the future.[1]

Most countries in Asia have been moving toward increasingly close business relationships, with reduced trade barriers fostering increased trade and air travel levels. According to the Boeing Company, trade liberalisation and openness to international trade has implications to aviation growth, with air travel growth, as measured in RPKs, closely correlated with economic growth. Air travel typically outpaces GDP growth by approximately 1 percent to 2 percent. The liberalisation of international trade, which serves as an important driver of GDP, has a resulting effect on aviation demand.[2]

In addition, as nations reduce the internal barriers to creating new businesses, individual entrepreneurs and new small businesses will seek new markets. Low-cost air travel provides an opportunity for small business owners and their staff to seek opportunities outside of their main base of operations.

2.3 Tourism

International tourism in Asia-Pacific has, as shown in Table 5, which follows, increased significantly from 2010 to 2011. With growth of 6.2%, the Asia-Pacific region grew at the fastest rate of any major world region. Amongst Asia-Pacific sub-regions, Southeast Asia's 10.4% growth rate was the highest rate of any sub-region.

As tourists from developed and developing Asian countries continue to travel within the region, air travel in the region can be expected to continue to experience strong growth. Although recent events in Europe and the Middle East have resulted in some slowing of tourism growth, global tourism traffic has continued to expand in 2012.

[1] World Trade Organization, 12 April 2012, http://www.wto.org/english/news_e/pres12_e/pr658_e.htm
[2] Boeing Commercial Airplanes, Aviation Policy and Geopolitics, 2012.

Table 5

INTERNATIONAL TOURIST ARRIVALS
Arrivals by Region and Sub-Region
2010~2011

	Tourist Arrivals Arrivals (millions)		World share	Growth
	2010	2011	2011	2010~2011
Northeast Asia	111.5	115.8	11.8%	3.9%
Southeast Asia	69.9	77.2	7.9%	10.4%
South Asia	11.5	12.4	1.3%	7.8%
Oceania	11.6	11.7	1.2%	0.9%
Subtotal (Asia Pacific)	204.4	217.0	22.1%	6.2%
Europe	474.7	503.7	51.3%	6.1%
Americas	149.7	155.9	15.9%	4.1%
Middle East	60.4	55.4	5.6%	-8.3%
Africa	49.7	50.1	5.1%	0.8%
Subtotal (Rest of World)	734.5	765.1	77.9%	4.2%
World Total	938.9	982.1	100.0%	4.6%

Source: United Nations World Tourism Organization, World Tourism Barometer, May 2012.
Note: Arrivals may include non-air border crossings.

2.3.1 *Global Tourist Arrivals*

Table 6, which follows, shows that Malaysia is one of only two Asian countries included in the world's top 10 countries for international tourist arrivals.

Table 6

INTERNATIONAL TOURIST ARRIVALS IN THE 10 LEADING DESTINATION COUNTRIES IN 2011
World
2010~2011

		Tourist Arrivals (millions)		Growth
Rank	Destination Country	2010	2011	2010~2011
1	France	77.1	79.5	3.0%
2	United States	59.8	62.3	4.2%
3	China	55.7	57.6	3.4%
4	Spain	52.7	56.7	7.6%
5	Italy	43.6	46.1	5.7%
6	Turkey	27.0	29.3	8.7%
7	United Kingdom	28.3	29.2	3.2%
8	Germany	26.9	28.4	5.5%
9	Malaysia	24.6	24.7	0.6%
10	Mexico	23.3	23.4	0.6%

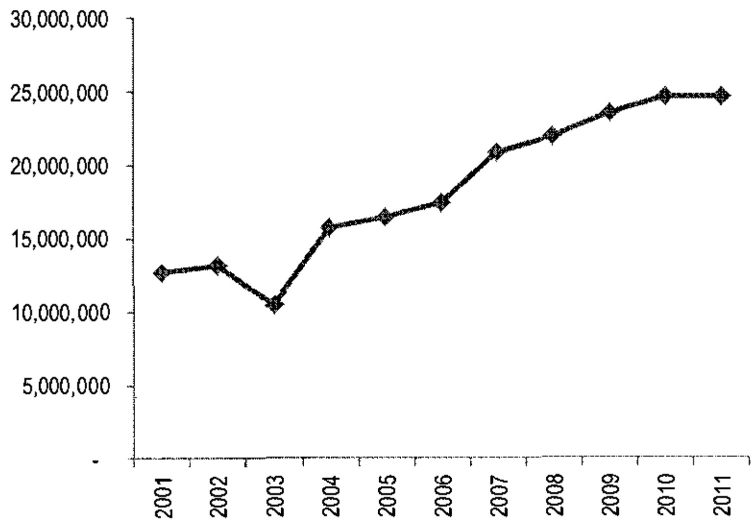
Source: World Tourism Organization (UNWTO), 2012.
Note: Arrivals may include non-air border crossings.

2.3.2 *Tourism in Malaysia*

As shown in Figure 2, below, total international tourist arrivals to Malaysia have grown at a CAGR of 6.8% over the past decade, despite several disruptions to travel in the region caused by economic downturns and natural disasters.

Figure 2

INTERNATIONAL TOURIST ARRIVALS
Malaysia
2001~2011



Source: Tourism Malaysia, September 2012.
Note: Arrivals may include non-air border crossings.

Arrivals from most of the ten leading origin countries have grown at high rates from 2001 to 2011, as shown in Table 7, below.

Table 7

INTERNATIONAL TOURIST ARRIVALS IN MALAYSIA
FROM THE 10 LEADING ORIGIN COUNTRIES IN 2011
Malaysia
2001~2011

		Tourist arrivals			CAGR
Rank	Country	2001	2011	2011 share	2001~2011
1	Singapore	6,951,594	13,372,647	54.1%	6.8%
2	Indonesia	777,449	2,134,381	8.6%	10.6%
3	Thailand	1,018,797	1,442,048	5.8%	3.5%
4	China	597,857	1,250,536	5.1%	7.7%
5	Brunei	309,529	1,239,404	5.0%	14.9%
6	India	143,513	693,056	2.8%	17.1%
7	Australia	222,340	558,411	2.3%	9.6%
8	United Kingdom	262,423	403,940	1.6%	4.4%
9	Japan	397,639	386,974	1.6%	-0.3%
10	Philippines	122,428	362,101	1.5%	11.5%
	Other	1,971,504	2,870,826	11.6%	3.8%
	Total	12,775,073	24,714,324	100.0%	6.8%

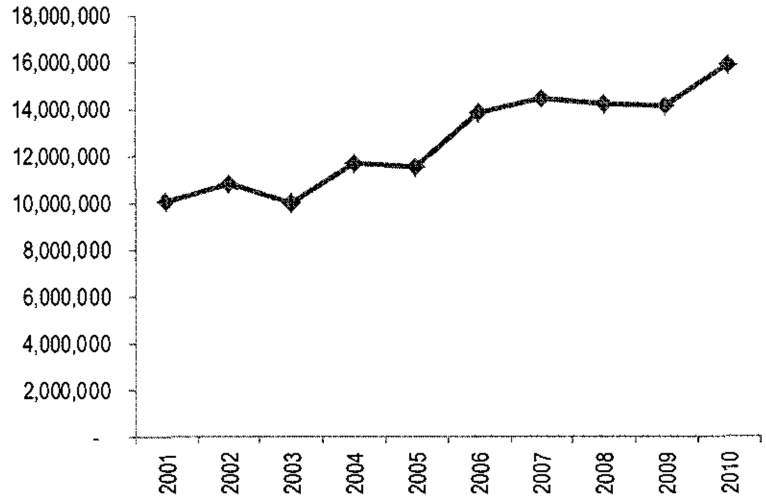
Source: Tourism Malaysia and the Malaysian Immigration Department, June 2012.
Note: Arrivals may include non-air border crossings.

2.3.3 *Tourism in Thailand*

As shown in Figure 3, below, tourist arrivals in Thailand have grown over the past decade despite significant disruptions, including the SARS epidemic, the tsunami of 2004, and the coup and resulting civil unrest from 2006 to 2009.

Figure 3

INTERNATIONAL TOURIST ARRIVALS
Thailand
2001~2010



Source: Ministry of Tourism and Sports, Thailand, 2012.
Note: Arrivals may include non-air border crossings.

Table 8, below, lists the top ten origin countries for international tourists to Thailand in 2009 and 2010. As shown, from 2009 to 2010, the highest rates of growth were for tourists arriving from Russia, China, South Korea, and India.

Table 8

INTERNATIONAL TOURIST ARRIVALS IN THAILAND
FROM THE 10 LEADING ORIGIN COUNTRIES IN 2010
Thailand
2009~2010

		Tourist arrivals			Growth
Rank	Country	2009	2010	2010 share	2009~2010
1	Malaysia	1,757,813	2,058,956	12.9%	17.1%
2	China	777,508	1,122,219	7.0%	44.3%
3	Japan	1,004,453	993,674	6.2%	-1.1%
4	United Kingdom	841,425	810,727	5.1%	-3.6%
5	South Korea	618,227	805,445	5.1%	30.3%
6	India	614,566	760,371	4.8%	23.7%
7	Laos	655,034	715,345	4.5%	9.2%
8	Australia	646,705	698,046	4.4%	7.9%
9	Russia	336,965	644,678	4.0%	91.3%
10	USA	627,074	611,792	3.8%	-2.4%
	Other	6,270,072	6,715,147	42.1%	7.1%
	Total	14,149,842	15,936,400	100.0%	12.6%

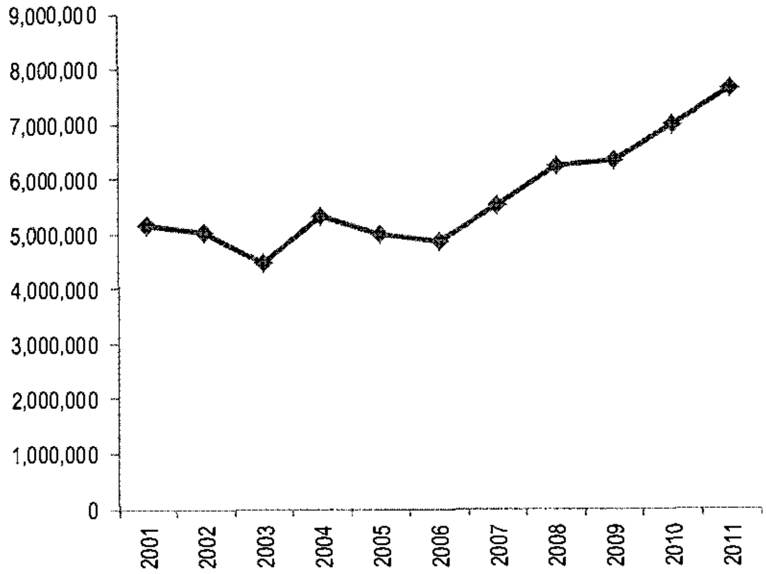
Source: Ministry of Tourism and Sports, Thailand, 2012.
Note: Arrivals may include non-air border crossings.

2.3.4 *Tourism in Indonesia*

As shown in Figure 4, below, tourism in Indonesia has increased significantly since 2001 despite economic downturns and natural disasters.

Figure 4

INTERNATIONAL TOURIST ARRIVALS
Indonesia
2001~2011



Source: Badan Pusat Statistik, Indonesia, 2012.
Note: Arrivals may include non-air border crossings.

Table 9, below, lists the top ten origin countries for international tourists for Indonesia in 2002 and 2010. As shown, visitor arrivals from China, Malaysia, the Philippines, and Australia grew at double-digit per annum rates from 2002 to 2010.

S-A-P believes that much of the growth from Malaysia, the Philippines, and Australia is attributed to the introduction of low-cost carrier services between these countries, including those of the AirAsia Group and other carriers. S-A-P believes that China's high growth can be attributed to the rapid growth in income and resultant propensity to travel experienced by China in recent years.

Table 9

INTERNATIONAL TOURIST ARRIVALS IN INDONESIA FROM THE 10 LEADING ORIGIN COUNTRIES IN 2010
Indonesia
2002~2010

		Tourist arrivals			CAGR
Rank	Country	2002	2010	2010 share	2002~2010
1	Singapore	1,447,315	1,373,126	19.6%	-0.7%
2	Malaysia	475,163	1,277,476	18.2%	13.2%
3	Australia	346,245	771,792	11.0%	10.5%
4	China	36,685	469,365	6.7%	37.5%
5	Japan	620,722	418,971	6.0%	-4.8%
6	South Korea	210,581	274,999	3.9%	3.4%
7	Taiwan	400,334	213,442	3.0%	-7.6%
8	United Kingdom	160,077	192,259	2.7%	2.3%
9	Philippines	84,060	189,486	2.7%	10.7%
10	USA	160,982	180,361	2.6%	1.4%
	Other	1,091,236	1,641,667	23.4%	5.2%
	Total	5,033,400	7,002,944	100.0%	4.2%

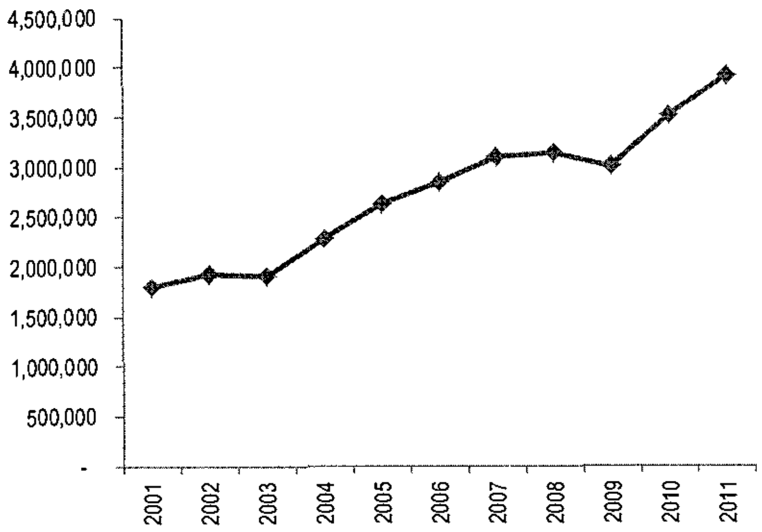
Source: Badan Pusat Statistik, Indonesia, June 2012.
Note: Arrivals may include non-air border crossings.

2.3.5 *Tourism in the Philippines*

As shown in Figure 5, below, tourism in the Philippines has followed a similar upward growth pattern as other nations in Asia, particularly since 2001, with some slowing during the global financial crises and as a result of natural disasters and other events that slowed aviation growth in Asia at various times during the last decade.

Figure 5

INTERNATIONAL TOURIST ARRIVALS
Philippines
2001~2011



Source: Philippines Department of Tourism, 2012
Note: Arrivals may include non-air border crossings.

Table 10, below, lists the top ten origin countries for international tourists for the Philippines in 2009 and 2011. As shown, South Koreans comprised the largest share of tourist arrivals in both years.

Table 10

INTERNATIONAL TOURIST ARRIVALS IN THE PHILIPPINES FROM THE 10 LEADING ORIGIN COUNTRIES IN 2011
Philippines
2009~2011

		Tourist arrivals			CAGR
Rank	Country	2009	2011	2011 share	2009~2011
1	South Korea	497,936	925,204	23.3%	36.3%
2	Japan	324,980	375,496	9.5%	7.5%
3	China	155,019	243,137	6.1%	25.2%
4	Taiwan	102,274	181,738	4.6%	33.3%
5	Australia	132,330	170,736	4.3%	13.6%
6	Singapore	98,305	137,802	3.5%	18.4%
7	Hong Kong	122,786	112,106	2.8%	-4.4%
8	Malaysia	68,679	91,752	2.3%	15.6%
9	Other	72,596	71,797	1.8%	-0.6%
10	India	32,817	42,884	1.1%	14.3%
	Other	1,409,377	1,619,880	40.8%	7.2%
	Total	3,017,099	3,972,532	100.0%	14.7%

Source: Philippines Department of Tourism, 2012
Note: Arrivals may include non-air border crossings.

2.3.6 *Tourism in China*

China has become a popular tourist destination for international travellers. Although data is not readily available, overall incoming tourism is reported to have grown from just 300,000 in 1978 as the country began to open up to the outside world to over 20 million today.[3]

With strong cultural ties to many countries in Asia, China currently attracts visitors from all over the region. China is expected to experience increased inbound Asian tourism as the countries in the region continue to grow economically.

Table11, below, lists the top 10 origin countries for international tourist arrivals in China in 2009 and 2010.

Table 11

INTERNATIONAL TOURIST ARRIVALS IN CHINA
FROM THE 10 LEADING ORIGIN COUNTRIES
China
2009~2010

		Tourist arrivals			Growth
Rank	Country	2009	2010	2010 share	2009~2010
1	South Korea	3,197,500	4,076,400	15.6%	27.5%
2	Japan	3,317,500	3,731,200	14.3%	12.5%
3	Russia	1,743,000	2,370,300	9.1%	36.0%
4	USA	1,709,800	2,009,600	7.7%	17.5%
5	Malaysia	1,059,000	1,245,200	4.8%	17.6%
6	Singapore	889,500	1,003,700	3.8%	12.8%
7	Philippines	748,900	828,300	3.2%	10.6%
8	Mongolia	576,700	794,400	3.0%	37.7%
9	Canada	550,300	685,300	2.6%	24.5%
10	Australia	561,500	661,300	2.5%	17.8%
	Other	7,583,800	8,721,200	39.8%	15.0%
	Total	21,937,500	26,126,900	100.0%	19.1%

Source: China National Tourist Office
Note: Arrivals may include non-air border crossings.

[3] National Tourism Administration, Peoples Republic of China

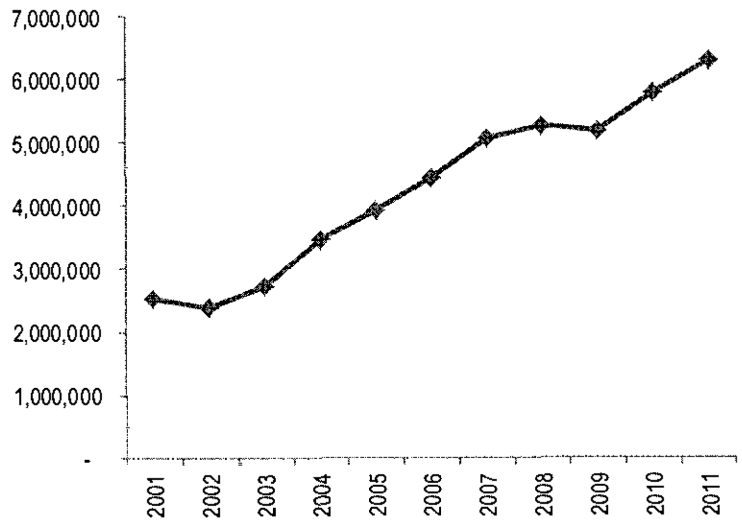
A significant consideration for Asian tourism overall is the rapidly growing outgoing tourism market from China to destinations throughout Asia. As China's middle class has grown and achieved income levels high enough to afford international travel, outbound tourism has increased significantly. In 2011, 51 million tourists travelled outside China, a 20% increase over 2010.[4]

2.3.7 *Tourism in India*

As shown in Figure 6, below, tourism in India has followed a trend similar to that of other Asian countries over the past several years with strong growth of international arrivals over the past decade.

Figure 6

INTERNATIONAL TOURIST ARRIVALS
India
2001~2011



Source: Bureau of Immigration, Government of India (for 2001-2010).
Ministry of Tourism, Government of India (for 2011).
Note: Arrivals may include non-air border crossings.

[4] Travelchinaguide.com

Table 12, below, shows the top ten origin countries for international tourist arrivals in India in 2011. The largest source of foreign tourist arrivals is the United States. Five of the top ten origin countries are located in the Asia-Pacific region.

Table 12

INTERNATIONAL TOURIST ARRIVALS
FROM THE 10 LEADING ORIGIN COUNTRIES
India
2011

		Tourist arrivals			CAGR
Rank	Country	2001	2011	2011 share	2001~2011
1	USA	329,147	734,240	11.7%	8.4%
2	United Kingdom	405,472	705,407	11.2%	5.7%
3	Bangladesh	n.a.	696,739	11.1%	n.a.
4	Sri Lanka	112,813	176,567	2.8%	4.6%
5	Canada	88,600	175,345	2.8%	7.1%
6	Germany	80,011	156,808	2.5%	7.0%
7	France	102,434	154,813	2.5%	4.2%
8	Malaysia	57,869	119,292	1.9%	7.5%
9	Japan	80,634	109,867	1.7%	3.1%
10	Australia	52,691	107,286	1.7%	7.4%
	Others	1,230,329	3,153,636	50.1%	9.9%
	Total	2,540,000	6,290,000	100.0%	9.5%

Source: Bureau of Immigration, Government of India, 2012.
Note: Arrivals may include non-air border crossings.

2.3.8 *Conclusion*

Tourism in Asia has grown at significant rates over the past decade despite regional and global economic challenges, natural disasters, and other impediments to growth. In all of the markets in which AirAsia Group operates, tourism is a strong component of the economy and is expected to continue to drive increased air traffic.

2.4 Airline Fares and Distribution

As LCCs have grown rapidly in Asia, lower fares have become available in many markets and stimulated demand for air travel. Along with lower fares have come efforts to increase ancillary revenue through the sale of upgrades and options with each flight. This has resulted in structural changes in the way airlines distribute tickets with a much greater emphasis on attracting customers to their own airline websites for ticket purchases. This reduces distribution costs for airlines and enables them to increase ancillary revenue sales.

Until the mid-1990s, approximately 80% of all airline ticket sales were sold through traditional travel agencies.[5] With the emergence of the internet, sales migrated to online websites like Orbitz and Expedia that became the largest travel agencies, as well as to the airlines' proprietary websites. In 1996, less than 1% of all airline tickets were sold online[6]. As of 2010, approximately 50% of airline ticket sales were made through airline websites.[7] Over a third of online ticket sales were booked through online travel agency sites such as Expedia, Travelocity, Orbitz, and Zuji.[8]

Further developments have occurred in which search tools have contributed to the process consumers use to find airfares. In 2011, search engine firm Google purchased ITA Software, a major developer of airline ticket search tools used by companies such as Kayak.com. The purchase was approved with some restrictions, but will enable Google to provide airline fare information directly to its search users, rather than just point them toward sites that specialise in selling airline tickets. Google says it does not have plans to sell airline tickets, but S-A-P believes that the transaction could put further competitive pressure on traditional third party distributors, such as online travel sites, and push distribution toward airline websites.

As sales have migrated online, airlines have made concerted efforts to attract customers to their own websites to purchase tickets. Customers usually use travel agency sites to allow for price comparisons and bundling of packages that include multiple airlines. The more an airline can attract customers to their proprietary site, the higher chance the airline will have of selling them a ticket for their airline vs. the competition. In addition to saving on distribution costs, attracting customers to proprietary airline websites allows for opportunities to sell ancillary revenues products such as travel insurance and other upgrades. For example, Air New Zealand sells a four-seat combination for one person to use the seats as a bed in coach. Air New Zealand claims that this type of upgrade involves complexity that is difficult to have offered on third party websites. Unique offerings allow for increased revenue to offset the reduced fares offered by LCCs.

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[5] eTN Global Travel Industry News, May 12, 2009. http://www.eturbonews.com/9242/southwest-deal-could-add-ticket-distribution-fees
[6] ABC News. http://abcnews.go.com/Travel/story?id=118725&page=1#.UC5iTauF-K4
[7] AirlineWeekly, June 2010. http://www.airlineweekly.com/AWSR3.pdf
[8] Travel Agent Central. June 2011. http://www.travelagentcentral.com/technology/online-agencies-in-global-battle-for-market-share-28791

Airlines have taken different approaches for creating a balance between attracting customers while also allowing their information to be sold through third parties. For example, US-based LCC Southwest Airlines did not allow other sites to sell their tickets until recently. Southwest kept distribution costs very low by only selling tickets on their own website. European LCC Ryanair has worked aggressively to pull sales into its own website distribution system. The carrier specifically has targeted companies that use technology to gather flight information from Ryanair's website to list and sell on their own sites.

Some airlines have mounted legal challenges against travel online travel agencies and taken other steps to minimise external distribution costs, while also trying to attract customers to their own websites, furthering the trend of airlines wanting to directly connect with the buyers of their product.

In a special partnership, AirAsia Group joined forces with Expedia, one of the world's largest online travel agencies. AirAsia Group and Expedia have established a joint venture in which Expedia's online booking expertise will be combined with AirAsia Group's established web presence and brand to leverage the strengths of each other and reach more online customers.

2.5 Geographical Characteristics

Countries with widely distributed population centres or with large surrounding bodies of water or mountains tend to have higher-than-average aviation activity levels. The combination of Asia's large size, the separation of many parts of Asia by bodies of water, and the general lack of competing sea or land transport alternatives provide an ideal market for air travel. Two of AirAsia Group's target markets, Indonesia and the Philippines, are large archipelago nations with air travel providing the most efficient means of travel between islands.

Unlike in the US and Europe, where extensive road and rail networks provide a competitive substitute for air transport, these transportation options are less developed in Southeast Asia, or not as practical given the geographical characteristics of the region, therefore, competition from these modes of transport is less common for airlines operating in Southeast Asia. The introduction of widely available low air fares in the Asia-Pacific region has greatly reduced the cost barrier to air travel and created a competitive transport substitute for ground travel for many people.

2.6 Liberalisation of Air Travel

Studies have shown that the liberalisation of air services can lead to new and better air services, thereby increasing trade in airlines services, gains in consumer welfare and economic growth. Liberal aviation agreements allow for increased competition on routes and lower airfares, thereby stimulating additional activity.

Countries across Asia are liberalising the international bilateral agreements that can, in their extreme, regulate items such as the precise number and type of carriers that can operate, the number of total seats that can be provided, and the levels of airfares that can be charged.

The December 2008 lifting of restrictions on the Kuala Lumpur-Singapore route offers a good example of the impact that the easing of aviation market restrictions can have. Capacity (as measured by weekly flight frequencies, according to OAG) on this route for the month of September 2009 increased 72.5% as compared to September 2008 levels.

2.6.1 *ASEAN Member States and Open Skies*

The trend of deregulation and liberalisation in Asia is expected to continue, particularly amongst countries that are part of ASEAN. ASEAN was established in 1967 with initially five member countries but has grown to include ten countries in Southeast Asia.

Subsequent to an aviation liberalisation roadmap adopted by ASEAN member states in 2004, in November 2010, the member states reaffirmed their collective commitment to building an ASEAN Single Aviation Market by 2015. The November 2010 ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFLPAS) and its two Protocols provides for further expansion of the scope of the ASEAN Multilateral Agreement on Air Services (MAAS) to include other ASEAN cities. The agreement and its protocols provide for designated airlines of a member state to provide air services from any city with international airports in its territory to any city with international airports in the territory of the other member states and vice-versa with defined traffic rights.

2.6.2 *Outside of ASEAN*

Chinese government aviation officials have signed an agreement with ASEAN to build a more liberal air service framework between China and the ASEAN countries. Other developments contributing to the eventual achievement of open skies are potential similar agreements forthcoming between ASEAN and India as well as ASEAN and Korea.

China, Japan, and South Korea have indicated an interest in developing a unified aviation market comprising the ten ASEAN members plus China, Japan, India and South Korea, which could lead to the creation of an East Asian-plus-India Common Market. In addition, South Korea, China, and Japan have been working on a "North Asia Triangle" open skies agreement.

2.6.3 *Conclusion*

Asia-Pacific countries, especially those in Southeast Asia and North Asia, are projected by S-A-P to continue to remove regulatory restrictions on air services, leading to increased regional air travel, competition, and lower airfares.

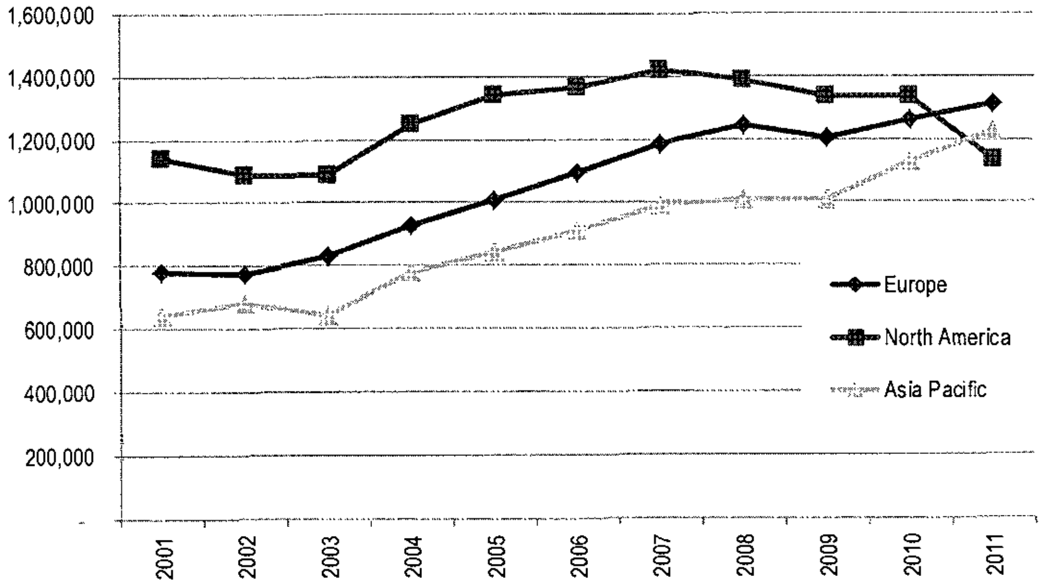
3 HISTORICAL AVIATION ACTIVITY IN THE ASIA-PACIFIC REGION

Aviation activity in the Asia-Pacific region has grown rapidly since 2001, as shown in Figure 7, below. From 2001 to 2011, RPKs in the Asia-Pacific region grew 92.1% while during the same period RPKs increased 69.2% in Europe. S-A-P believes that much of the growth achieved is the result of strong growth by LCCs. Asia-Pacific region passenger traffic, as measured in RPKs, is now greater than that of North America.

North America activity levels over the past several years have declined, the result of airline consolidation, a sluggish economy, and the region's maturity as a domestic aviation market. In addition, most of the stimulative effect of LCC service introductions has already been achieved in North America.

Figure 7

REVENUE PASSENGER KILOMETERS (RPKs)
Select Regions
2001~2011



Unit: RPK millions.
Source: Euromonitor International from International Civil Aviation Organization (ICAO), United Nations, World Bank, and national statistics, 2012.

4 LOW COST CARRIER BACKGROUND AND GROWTH

4.1 Introduction

Historically, much of the focus of the global airline industry has been on creating opportunities to increase revenues. In-flight meals and entertainment, high-tech seats, and the consolidated scheduling of flights at hub airports have been used by passenger airlines to attract passengers, increase market shares, and raise total revenues.

However, over the past four decades, and particularly during the last 10 years, the LCC model has grown rapidly to become a dominant model in the industry. The success of LCCs around the world has changed the focus in the industry from increasing passenger revenues to increasing operating efficiencies. LCCs that have been successful in lowering their costs are now turning the focus once again on increasing revenues, through the sale of ancillary revenue products.

Reactions to the growth of the LCC model have included attempts to lower costs, engagement in fare wars to compete intensely in the short term, or attempts to start up LCC subsidiaries. However, during the last decade, several airlines around the world have found success and have experienced significant growth with the LCC model.

The growth of LCCs in Europe has contributed to significant increases in passenger traffic. For example, from 2001 to 2011, total RPKs in Western Europe grew 63.0%.[9] LCCs had a 4.9% share of departing seats in Western Europe in 2001 while in 2011 the share was 35.9%.[10]

Many of the successful LCCs launched their operations without the cost, operating, and labour restrictions found at most legacy carriers. With low unit costs, LCCs have driven significant growth in airline traffic around the world. The seat market share of LCCs globally has grown rapidly, from an 8.0% share of global seats in 2001 to 26.5% in 2012. In North America, the seat market is 30.0% in 2012.[10]

Figures 8 to 13, which follow, document LCC seat market shares in various regions.

[9] Basis for analysis: Euromonitor International from International Civil Aviation Organization (ICAO), United Nations, World Bank, and national statistics, 2012.
[10] CAPA (Centre for Aviation) based on OAG data, 18 August 2012. 2012 data reflects January~August 2012 activity.

As shown below, LCCs currently operate 26.5% of departing seats globally. In the Asia-Pacific region, LCCs operate 24.6% of departing seats.[11]

Figure 8

LCC SHARE OF TOTAL PASSENGER SEAT CAPACITY
Global
2001~August 2012

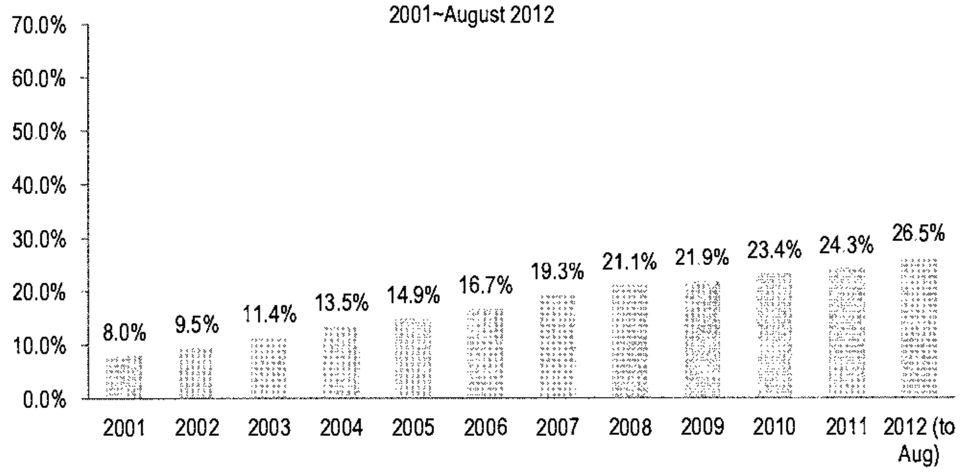
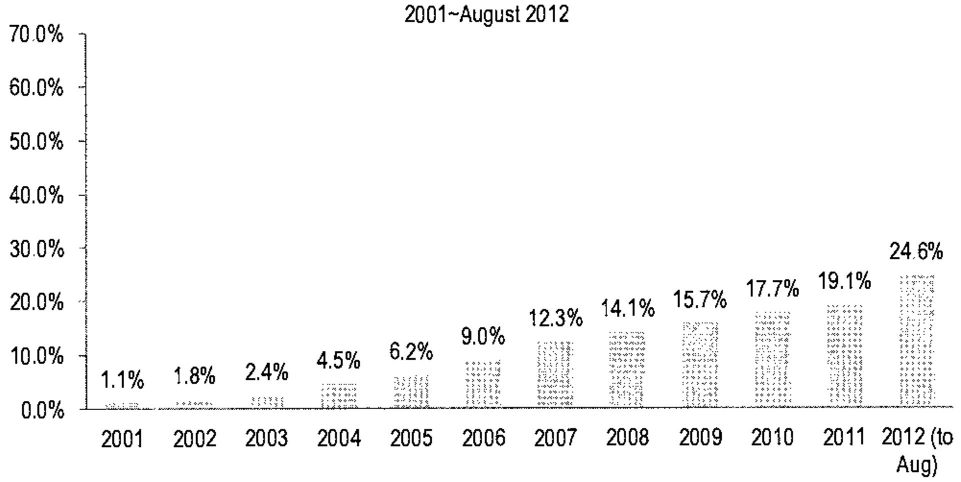


Figure 9

LCC SHARE OF TOTAL PASSENGER SEAT CAPACITY
Asia-Pacific Region
2001~August 2012



[11] CAPA (Centre for Aviation) based on OAG data, 18 August 2012. 2012 data reflects January~August 2012 activity.

In Malaysia, LCCs account for 46.6% of international passenger seat capacity and 57.4% of domestic seat capacity. In Thailand, LCCs account for 16.0% of international passenger seat capacity and 50.7% of domestic seat capacity.[12]

Figure 10

LCC SHARES OF TOTAL PASSENGER SEAT CAPACITY
Malaysia
2001~August 2012

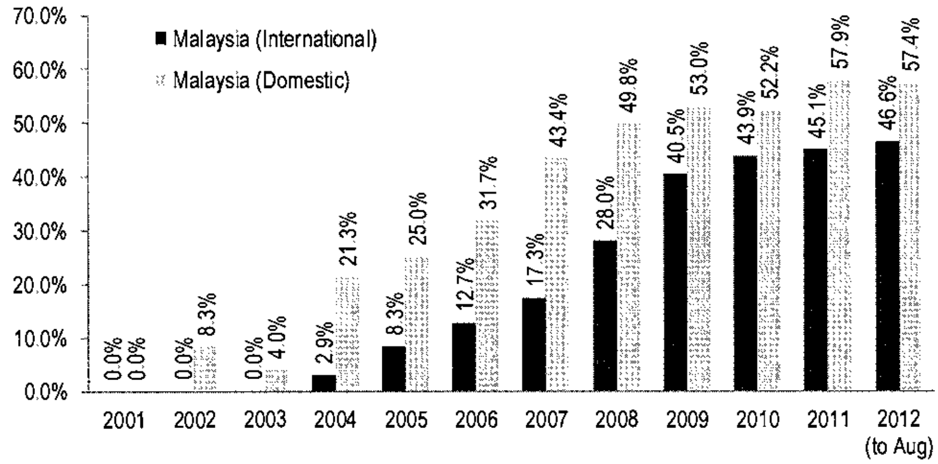
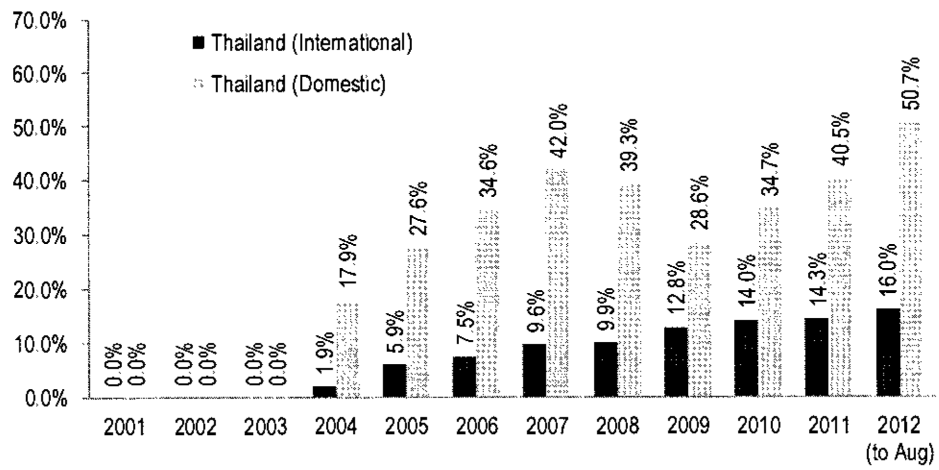


Figure 11

LCC SHARES OF TOTAL PASSENGER SEAT CAPACITY
Thailand
2001~August 2012



[12] CAPA (Centre for Aviation) based on OAG data, 18 August 2012. 2012 data reflects January~August 2012 activity.

In Indonesia, the LCC share of international seat capacity increased from 3.1% in 2004 to 41.0% in 2012. LCCs in Indonesia accounted for only 1.8% of domestic seat capacity in 2005 and have grown to 50.0% in 2012. In the Philippines, LCCs currently have a 27.6% share of departing international seats and a 78.4% of departing domestic seats.[13]

Figure 12

LCC SHARES OF TOTAL PASSENGER SEAT CAPACITY
Indonesia
2001~August 2012

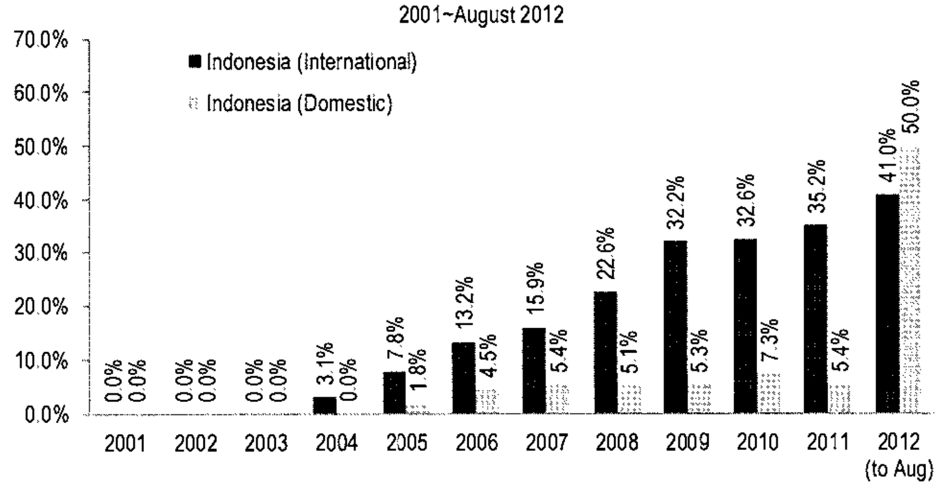
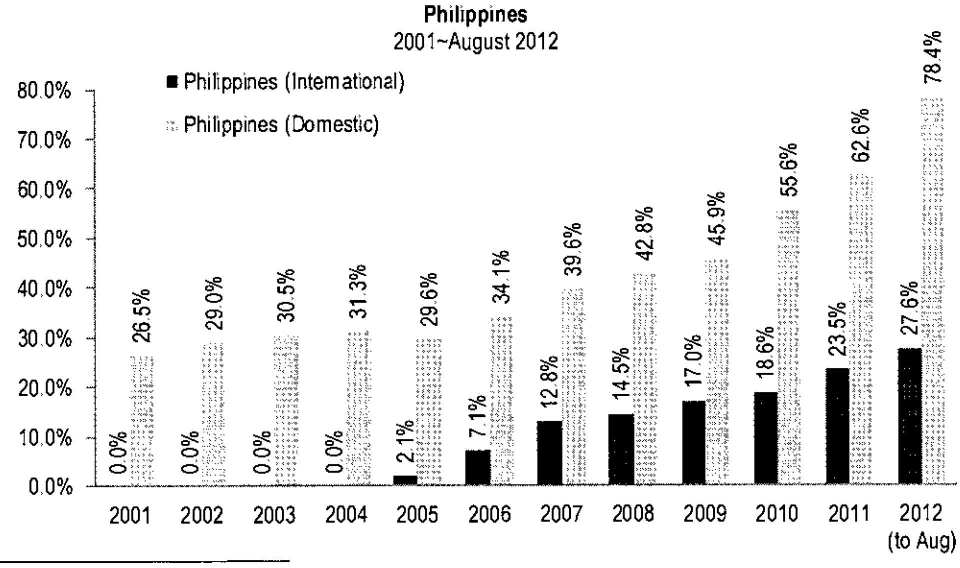


Figure 13

LCC SHARES OF TOTAL PASSENGER SEAT CAPACITY
Philippines
2001~August 2012



[13] CAPA (Centre for Aviation) based on OAG data, 18 August 2012. 2012 data reflects January~August 2012 activity.

4.2 The LCC Business Model

LCCs are defined by their ability to achieve drastically reduced unit operating costs. As a result, the average airfares they offer can be substantially lower than those of mainline carriers. In their pursuit of keeping costs low, LCCs typically have most, but not necessarily all, of the following operating and financial characteristics:

- Operate primarily point-to-point services using a young, single fleet type,
- Sell most flight-related products such as checked baggage and refreshments on a fee basis,
- Offer lower-than-average airfares, and
- Strongly promote ancillary products, such as hotel accommodations, car rentals, and insurance products.

4.3 Ancillary Revenues

The focus of an LCC, and the purpose for all the cost reduction efforts listed above, is to have the ability to offer low fares to customers to stimulate demand and achieve profitability. Passenger yields (i.e., the revenues generated per km flown) are typically lower at LCCs than they are at full-service carriers. One of the ways that LCCs are able to achieve profitability is through efforts to find and generate ancillary revenues from customers.

Ancillary revenues grew substantially after the economic crises that began in 2007. Baggage fees were adopted by many airlines from LCCs to full-service carriers. Other revenues come from charges for in-flight meals, wireless internet, on-demand movies, on-board movies, priority boarding, lounge passes, flight insurance, and frequent flier mile purchases.

Table 13, below, shows the top ten airlines in the world ranked by their ancillary revenues (as a share of total revenues) as available/reported for 2010 and 2011. The table also displays the top ten airlines in the world ranked by their ancillary revenues per passenger, as available/reported for 2010 and 2011.

Table 13

ANCILLARY REVENUES AS A SHARE OF TOTAL REVENUES AND PER PASSENGER (IN US$)
Top 10 Airlines Reporting (LCC and Mainline)
2010~2011

Ancillary Revenues as a % of Total

2010 Rank	Airline (Primary Base)	2010 Results	2011 Rank	Airline (Primary Base)	2011 Results
1	Allegiant Air (USA)	29.2%	1	Spirit Airlines (USA)	33.2%
2	Spirit Airlines (USA)	22.6%	2	Jet2.com (UK)	27.1%
3	Ryanair (Ireland)	22.1%	3	Allegiant Air (USA)	27.0%
4	Jet2.com (UK)	21.0%	4	easyJet (UK)	20.8%
5	Tiger Airways (Singapore)	20.5%	5	Ryanair (Ireland)	20.5%
6	easyJet (UK)	19.2%	6	Tiger Airways (Singapore)	19.1%
7	AirAsia (Malaysia)	18.7%	7	AirAsia Group (Malaysia) (a)	17.8%
8	AirAsia X (Malaysia)	18.1%	8	Flybe (UK)	17.0%
9	Flybe (UK)	15.7%	9	AirAsia X (Malaysia)	16.5%
10	United Airlines (USA)	14.7%	10	Jetstar (Australia)	15.3%

Ancillary Revenues per Passenger (US$)

2010 Rank	Airline (Primary Base)	2010 Revenues	2011 Rank	Airline (Primary Base)	2011 Revenues
1	AirAsia X (Malaysia)	$ 41.60	1	Qantas Airways (Australia)	$ 50.82
2	Qantas Group (Australia) (b)	$ 37.00	2	Spirit Airlines (USA)	$ 41.75
3	United Continental (USA)	$ 34.32	3	Jet2.com (UK)	$ 41.37
4	Jet2.com (UK)	$ 34.24	4	AirAsia X (Malaysia)	$ 38.25
5	Allegiant Air (USA)	$ 32.86	5	United Continental (USA)	$ 36.47
6	Spirit Airlines (USA)	$ 25.16	6	Allegiant Air (USA)	$ 34.00
7	Aer Lingus (Ireland)	$ 24.91	7	Alaska Airlines (USA)	$ 24.61
8	Alaska Airlines (USA)	$ 23.68	8	Jetstar (Australia)	$ 23.35
9	Delta Air Lines (USA)	$ 22.75	9	Aer Lingus (Ireland)	$ 22.02
10	Flybe (UK)	$ 20.99	10	Flybe (UK)	$ 21.92

Source: Yearbook of Ancillary Revenue Results, The Ideaworks Company, 2012.
(a) Author of the report does not disclose if the amounts incorporate AirAsia X performance.
(b) Includes Jetstar.

4.4 LCC Development in Asia

Although the introduction of significant levels of LCC activity occurred later in Asia than in the US and Europe, LCC activity has grown rapidly over the past decade and continues to grow rapidly. The share of total seat capacity operated by LCCs in Asia more than doubled in the five years from 2007 to 2012.[14]

According to CAPA, LCCs have captured 24.6% of the Asia-Pacific market as of 2012 YTD. However, Asian LCCs currently have a smaller presence in the region's two largest domestic markets: Japan and China, with LCCs in China capturing just 6.6% of the domestic market and 4.3% of the international market, and LCCs in Japan capturing 21.9% of the domestic market, but only 4.0% of the international market.[15]

The introduction and growth of LCCs have had several effects on the Asian aviation industry:

- LCC competition has encouraged established carriers to operate more efficiently, thereby driving down average airfares and stimulating demand across the entire market.
- Some Asian network carriers have introduced, or are planning to introduce their own LCCs such as Qantas' Jetstar, Japan Airlines' JAL Express, Singapore Airlines' Scoot, and ANA's Peach in Japan.
- Some airport operators in the region are providing aeronautical charge discounts for new routes and for efficient use of airport facilities, while airport operators in Malaysia and Singapore have created dedicated LCC passenger terminal facilities.
- Some governments have accelerated the establishment of bilateral aviation agreements and development of new airport capacity to accommodate LCC demand.

4.5 LCC Development in Southeast Asia

The development of the LCC model in Asia first started in Southeast Asia, in the domestic markets of Malaysia and the Philippines. As a result of the liberalised aviation policies, LCC operators began to develop, with LCC bases being established in other Southeast Asia countries, such as Thailand, Singapore, and Indonesia. Key operators in these markets include:

- Cebu Pacific was launched in March 1996 as a domestic LCC and currently the largest domestic carrier in the Philippines

[14] CAPA (Centre for Aviation) based on OAG data, 18 August 2012. 2012 data reflects January~August 2012 activity.
[15] CAPA (Centre for Aviation) based on OAG data, 18 August 2012. 2012 data reflects January~August 2012 activity. China domestic and international shares of LCC traffic exclude Hong Kong and Macau.

- Malaysia-based AirAsia Berhad commenced services in January 2002 and is now the largest LCC in Asia in terms of number of passengers carried.[16] It is based at Kuala Lumpur International Airport's Low Cost Carrier Terminal. AirAsia Berhad has established affiliate airlines in Thailand, Indonesia, the Philippines, and Japan.

- AirAsia X was launched in 2007 to serve long-haul routes from Kuala Lumpur to destinations around the world.

- Jetstar Asia, based in Singapore, was launched in December 2004 and is owned by Qantas Airways Limited. Jetstar Asia acquired Valuair, another Singapore-based LCC, in July 2005.

- Tiger Airways launched operations in September 2004 and was the first LCC to operate out of Changi's LCC terminal. Mandala, a partner airline of Tiger Airways, is based in Indonesia and is 33% owned by Tiger Airways Holdings.

[16] Airline Monitor, 2011

4.6 AirAsia Group Carrier Market Shares at Major Airports

Tables 14 and 15, below, document weekly scheduled seat capacity for carriers at the major cities in Southeast Asia. As shown, LCC activity represents a significant share of activity at most airports.[17]

Table 14

SCHEDULED DEPARTING SEAT CAPACITY
International Airports in Kuala Lumpur and Bangkok
Activity date: 1~7 July 2012

	Weekly departing seats			
	Full-service carriers/others	Low-cost carriers (LCC)		Total
Kuala Lumpur International Airport (KUL)	Seats	Seats	Share of LCC total	Seats
AirAsia		192,060	75.2%	192,060
AirAsia X		27,521	10.8%	27,521
Indonesia AirAsia		16,380	6.4%	16,380
Thai AirAsia		3,780	1.5%	3,780
AirAsia Group		239,741	93.9%	239,741
Tiger Airways		4,500	1.8%	4,500
Jetstar Asia		3,780	1.5%	3,780
All others	266,375	7,400	2.9%	273,775
Total	266,375	255,421	100.0%	521,796
Share of total	51.0%	49.0%		100.0%

	Weekly departing seats			
	Full-service carriers/others	Low-cost carriers (LCC)		Total
Bangkok-Suvarnabhumi Int'l Airport (BKK) and Bangkok-Don Mueang Int'l Airport (DMK)	Seats	Seats	Share of LCC total	Seats
Thai AirAsia		82,260	51.1%	82,260
AirAsia		6,300	3.9%	6,300
Indonesia AirAsia		2,700	1.7%	2,700
AirAsia Group		91,260	56.7%	91,260
Nok Air		37,604	23.3%	37,604
Tiger Airways		6,300	3.9%	6,300
Jetstar Asia		3,420	2.1%	3,420
Jetstar Airways		909	0.6%	909
All others	519,921	21,552	13.4%	541,473
Total	519,921	161,045	100.0%	680,966
Share of total	76.4%	23.6%		100.0%

Source: S-A-P, using OAG data published on 21May12.

[17] Incorporates the following LCCs: Air Asia, AirAsia X, Cebu Pacific, Indonesia Air Asia, Jetstar Asia, Jetstar Pacific Airlines, Lion Air, Nok Air, One Two Go, Thai Air Asia, Tiger Airways, and Valuair.

Table 15

SCHEDULED DEPARTING SEAT CAPACITY
International Airports in Singapore and Jakarta
Activity date: 1~7 July 2012

	Weekly departing seats			
	Full-service carriers/others	Low-cost carriers (LCC)		Total
Singapore-Changi Airport (SIN)	Seats	Seats	Share of LCC total	Seats
AirAsia		25,920	14.7%	25,920
Indonesia AirAsia		16,380	9.3%	16,380
Thai AirAsia		7,560	4.3%	7,560
AirAsia Group		49,860	28.3%	49,860
Tiger Airways		44,100	25.0%	44,100
Jetstar Asia		33,784	19.2%	33,784
Valuair		6,480	3.7%	6,480
Jetstar Airways		6,189	3.5%	6,189
Scoot		3,936	2.2%	3,936
All others	472,304	31,941	18.1%	504,245
Total	472,304	176,290	100.0%	648,594
Share of total	72.8%	27.2%		100.0%

	Weekly departing seats			
	Full-service carriers/others	Low-cost carriers (LCC)		Total
Jakarta-Soekarna Hatta Int'l Airport (CGK)	Seats	Seats	Share of LCC total	Seats
Indonesia AirAsia		32,760	10.7%	32,760
AirAsia		4,320	1.4%	4,320
AirAsia Group		37,080	12.2%	37,080
Valuair		3,420	1.1%	3,420
Tiger Airways		2,520	0.8%	2,520
Jetstar Asia		1,080	0.4%	1,080
All others	355,563	260,835	85.5%	616,398
Total	355,563	304,935	100.0%	660,498
Share of total	53.8%	46.2%		100.0%

Source: S-A-P, using OAG data published on 21May12.

4.7 Long-Haul LCCs

Although historically LCCs have been primarily focused on short-haul routes, some LCCs in Asia have been established to focus on long-haul flights.

- AirAsia X was established as a long-haul carrier in 2007 with flights to Gold Coast, Australia. It has since expanded to other destinations in China, Japan, and Korea.
- Jetstar Airways is a LCC subsidiary of Australia-based Qantas Airlines that has implemented long-haul operations. It currently operates long-haul flights between Australian cities and Singapore, Tokyo, Osaka, Honolulu, Bangkok, Phuket, and Beijing.
- Scoot is a long-haul, LCC subsidiary of Singapore Airlines Limited (SIA). Plans for the creation of this new carrier were announced in May 2011. Scoot started operations in June 2012 and plans to fly to five initial destinations in Australia, Japan, and China.[18]
- Philippines-based LCC Cebu Pacific Airlines plans to launch a long-haul division that will be owned and operated by Cebu Pacific, but with separate, dedicated management. The operation is targeted to launch in the third quarter of 2013.

4.8 Conclusion

In Asian markets where LCCs have begun operations, growth in LCC service offerings, competition, and market share of LCCs have seen successful growth. China is an exception primarily due to state involvement in the industry, but LCC interest and growth continues to be observed there.

For many new travellers, flying on a low-cost carrier is their first and only experience with airline travel, which will facilitate growth of the model as customers will have an alternative to the less affordable full service offering. Airline traffic in Asia is already growing rapidly relative to the rest of the world, and as per capita incomes in Asia continue to increase and additional LCC capacity is developed, bringing low fares to a growing middle class, there is significant potential for continued future growth in air travel in the region.

[18] CNN, March 2012

5 AIRASIA GROUP'S MARKET POSITION

5.1 AirAsia Group's Market Position in Current Markets

5.1.1 *AirAsia Group in Malaysia*

Kuala Lumpur International Airport (KLIA) is the busiest airport in Malaysia and serves as the base of operations for the country's two largest carriers. As shown in Table 16, below, the largest share of passenger movements at KLIA in 2011 was carried by AirAsia Berhad, which in 2011 surpassed Malaysia Airlines, the national carrier, to become the largest carrier operating at KLIA.

Low-cost carrier operations in Malaysia have created significant changes to the market since commencement of operations in 2002, resulting in changes including reduced airfares and increased affordability of air travel in the country.

Table 16

PASSENGER ACTIVITY LEVELS AT KLIA
International and Domestic Passenger Movements, by Airline
2009~2011

	Passenger Movements				CAGR
Carrier	2009	2010	2011	2011 share	2009~2011
AirAsia	10,613,235	11,898,089	13,064,014	34.6%	10.9%
Indonesia AirAsia	910,038	961,665	1,213,421	3.2%	15.5%
AirAsia X	981,241	1,821,207	2,388,702	6.3%	56.0%
Subtotal AirAsia Group	12,504,514	14,680,961	16,666,137	44.2%	15.4%
Malaysia Airlines	10,922,855	12,146,702	12,391,538	32.9%	6.5%
Emirates	411,658	648,244	725,500	1.9%	32.8%
Cathay Pacific Airways	539,004	671,127	678,633	1.8%	12.2%
Tiger Airways	-	-	449,850	1.2%	n.a.
KLM-Royal Dutch Airlines	409,083	-	443,291	1.2%	4.1%
SilkAir	302,160	422,082	426,882	1.1%	18.9%
Thai Airways International	337,652	387,960	370,782	1.0%	4.8%
Other	4,255,167	5,130,560	5,551,897	14.7%	14.2%
Total	29,682,093	34,087,636	37,704,510	100.0%	12.7%

Source: Malaysia Airports Holdings Berhad Annual Report 2011.

MAHB, the primary airport operator in Malaysia, is in the process of developing a major terminal complex (KLIA2) at Kuala Lumpur International Airport (KLIA), which is scheduled for completion in 2013 and is scheduled to be the largest terminal in the world dedicated to low cost carriers. The terminal building is designed for the purpose of facilitating travel between low cost carriers and full service carriers.[19]

S-A-P expects airline activity in Malaysia to continue to grow over the long term. In the short term, growth rates could slow—compared to the previously high rates—as a result of more moderate economic growth in China and other parts of the region, and as continued high fuel costs continue to impact airline operating costs. However, S-A-P anticipates that these macro factors will be offset, to some degree, by continued expansion of LCC services on short- and long-haul routes, as well as by the continued development of LCC facilities and the promotion of LCC services in Malaysia and other countries.

5.1.2 *AirAsia Group in Thailand*

Thai AirAsia launched domestic operations in Thailand in February 2004 and serves 37 routes to 29 destinations from its base of operations at Suvarnabhumi International Airport and additional hubs in Phuket and Chiang Mai. Two additional hubs are planned for Hat Yai in 2013 and Udon Thani in 2014.[20] The carrier serves destinations in Thailand and other countries using a fleet of 24 Airbus A320 aircraft in a single-class configuration of 180 seats.

As shown in Table 17, below, air passenger activity at commercial airports in Thailand[21] grew at a CAGR of 10.9% from 2009 to 2011. Passenger movements of the AirAsia Group carriers grew at a CAGR of 17.2% during the period.

The largest share of passenger traffic in Thailand is carried by Thai Airways International, followed by Thai AirAsia, which is the only low-cost carrier that serves both domestic and international destinations from Suvarnabhumi International Airport[22]. As shown in the table, Thai AirAsia has the second largest share of passenger movements in Thailand.

Since the start of low-cost carrier operations in the country in 2004, with the launch of Thai AirAsia, low-cost carrier operations at Thai airports have created significant changes to the market including reduced airfares and increased affordability of air travel in the country.

[19] Malaysia Airports Holdings Berhad Annual Report, 2011
[20] AirAsia Annual Report, 2011
[21] Includes the airports managed by Airports of Thailand PCL (AOT) and the Thai Department of Civil Aviation (DCA) which, together represent nearly all commercial airports in Thailand. A low number of small commercial airports are operated by the private sector.
[22] AirAsia Group carriers are currently shifting their operations to Bangkok's Don Mueang International Airport.

Table 17

HISTORICAL AIR PASSENGER MOVEMENTS, BY AIRLINE
AOT Airports in Thailand
2009~2011 (period: 1 October to 30 September)

	Passenger Movements				CAGR
Carrier	2009	2010	2011	2011 share	2009~2011
Thai Air Asia	6,728,445	7,418,362	8,725,383	13.1%	13.9%
AirAsia	329,197	413,618	918,696	1.4%	67.1%
Indonesia Air Asia	96,543	92,464	182,845	0.3%	37.6%
AirAsia Group	7,154,185	7,924,444	9,826,924	14.8%	17.2%
Thai Airways International	22,517,047	21,637,221	21,644,398	32.6%	-2.0%
Nok Air	1,819,988	2,975,343	4,239,135	6.4%	52.6%
Bangkok Airways	2,875,734	3,141,726	3,753,765	5.7%	14.3%
Orient Thai Airlines	753,151	1,406,138	2,130,001	3.2%	68.2%
Cathay Pacific Airways	1,401,463	1,392,701	1,515,482	2.3%	4.0%
Emirates	1,001,111	1,220,538	1,363,056	2.1%	16.7%
Korean Air	654,932	769,554	912,649	1.4%	18.0%
China Airlines	1,001,783	783,804	801,523	1.2%	-10.6%
Tiger Airways	187,508	255,673	703,433	1.1%	93.7%
Singapore Airlines	814,221	671,320	674,627	1.0%	-9.0%
Others	13,756,070	16,061,129	18,806,134	28.3%	16.9%
Total	53,937,193	58,239,591	66,371,127	100.0%	10.9%

Source: AOT, August 2012.