

11. FINANCIAL INFORMATION (Cont'd)

There has been no default on payments of either interest or principal for our term loan throughout the nine-month period ended 30 September 2012. As at the LPD, we were not in breach of any terms and conditions or covenants associated with the term loan which can materially affect our financial position and results or business operations, or the investment by holders of our securities.

11.9 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with (a) "Reporting Accountants' Report in relation to the Consolidated Financial Statements" and the notes thereon as set forth in Section 13 of this Prospectus, and (b) "Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information" and the notes thereon as set forth in Section 12.9 of this Prospectus.

The table below sets forth the cash and cash equivalents as well as our capitalisation and indebtedness based on the audited consolidated financial statements of our Company and based on the pro forma consolidated statement of financial position as at 30 September 2012 as set forth in Section 12.9 of this Prospectus, on the assumption that "the proposals" (as defined in "Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information") had occurred on 30 September 2012. The pro forma consolidated statement of financial position below does not represent our actual capitalisation and indebtedness as at 30 September 2012 and is provided for information purposes only. Our total indebtedness is not guaranteed by any third party.

	Audited	Unaudited
	As at 30 September 2012	As at 30 September 2012 (assuming that the proposal had occurred on 30 September 2012)
	RM'000	RM'000
Cash and cash equivalents ⁽¹⁾	167,597	246,903
Indebtedness		
Short-term borrowings		
Secured:		
Term loan	130,925	_ ⁽²⁾
Total indebtedness	130,925	_⁽²⁾
Total shareholders' equity / capitalisation (attributable to owners of the parent)	42,766	299,597
Total capitalisation and indebtedness	173,691	299,597
Gearing ratio (times) ⁽³⁾	3.1	-

Notes:

⁽¹⁾ Cash and cash equivalents comprise fixed and call deposits (with maturity of less than three months) with licensed financial institutions and cash and bank balances

⁽²⁾ Assuming repayment of the term loan in full using the proceeds from IPO.

⁽³⁾ Total borrowings (excluding shareholder's advance) over equity attributable to owners of the parent.

11. FINANCIAL INFORMATION (Cont'd)**11.10 CAPITAL EXPENDITURE*****FY2009 through 9M2012***

We had no material capital expenditure for FY2009, FY2010, FY2011 and 9M2012.

Planned Capital Expenditure

We plan to utilise approximately RM10.0 million for FY2013 for the implementation of a new core insurance system and associated technology in TIMB, which had been approved but not contracted for. We cannot assure you that we will not experience a cost over-run in excess of our targeted capital expenditure or we will not also incur other amounts for other areas such as upgrading and refurbishment of its fixed properties. The anticipated sources of funding for our planned capital expenditure are cash flows from operation.

11.11 KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the financial years and nine-month periods indicated:

Key Financial Ratios	FY2009	FY2010	FY2011	9M2011	9M2012
Trade receivables turnover days ⁽¹⁾	260	309	159	218	138
Trade payables turnover days ⁽²⁾	193	581	54	273	493
Current ratio (times) ⁽³⁾	2.6	2.5	1.8	2.5	1.4
Gearing ratio ⁽⁴⁾	-	-	-	-	3.1
Net gearing ratio ⁽⁵⁾	-	-	-	-	-
Net claims incurred (RM'000)	1,052	1,524	1,942	726	35,376
Net claims incurred ratio (%) ⁽⁶⁾	4	4	4	2	34
Net commission expenses (RM'000)	11,062	14,473	17,292	12,794	19,914
Net commission ratio (%) ⁽⁷⁾	37	34	32	32	19
Management expenses (RM'000)	178	202	1,404	135	16,699
Management expenses ratio (%) ⁽⁸⁾	0.6 ⁽¹⁰⁾	0.5 ⁽¹⁰⁾	2.6 ⁽¹⁰⁾	0.3 ⁽¹⁰⁾	16.1
Combined ratio (%) ⁽⁹⁾	42 ⁽¹⁰⁾	38 ⁽¹⁰⁾	38 ⁽¹⁰⁾	35 ⁽¹⁰⁾	70
Capital adequacy ratio (%)	N/A ⁽¹¹⁾	N/A ⁽¹¹⁾	N/A ⁽¹¹⁾	N/A ⁽¹¹⁾	194.7%

Notes:

- ⁽¹⁾ Insurance receivables multiplied by 365 or 274 days, as the case may be, divided by the difference between gross written premium and fees and commission expenses. Gross written premium is the total premium on policies we issued during the financial year or nine-month period, as the case may be.
- ⁽²⁾ Insurance payables multiplied by 365 or 274 days, as the case may be, divided by the sum of premium ceded to reinsurers and related fees and fees and commission expenses. Premium ceded to reinsurers refers to all premiums, irrespective of whether that premium has been earned or is unearned.
- ⁽³⁾ Current assets over current liabilities (excluding term loan and shareholder's advance for the acquisition of TIMB).
- ⁽⁴⁾ Total borrowings (excluding shareholder's advance) over equity attributable to owners of the parent.
- ⁽⁵⁾ Total borrowings minus cash and cash equivalent (including fixed deposits in investment portfolio) over equity attributable to owners of the parent.
- ⁽⁶⁾ Net claims over net earned premiums.
- ⁽⁷⁾ Net commission expenses over net earned premiums.
- ⁽⁸⁾ Management expenses over net earned premiums.
- ⁽⁹⁾ The sum of net claims, net commission and management expenses, divided by net earned premiums.
- ⁽¹⁰⁾ The management expenses ratio for FY2009, FY2010 and FY2011 are not comparable because certain expense sharing arrangements with our business partner ceased with effect from the beginning of 2012.
- ⁽¹¹⁾ Not applicable, as capital adequacy ratio is only applicable to general insurer. Accordingly, prior to our acquisition of TIMB in May 2012, capital adequacy ratio is not applicable to us.

11. FINANCIAL INFORMATION (Cont'd)

Please refer to Section 12.8 – “Key Financial Ratios” of this Prospectus for a discussion on the certain financial ratios set out above assuming that the TIMB Acquisition had occurred on 27 March 2009, being the date of incorporation of TIL.

Trade Receivables Turnover Days

Our trade receivables are amounts due from TIMB and our local insurance partners in relation to our online insurance business. Our credit terms with these counterparties are generally for payment within 60 days and payments are generally made once a month. There is no allowance made for the impairment of these receivables in relation to our online insurance business, as there is no event that may affect the future collectability of these receivables. Allowance for impairment of these receivables will be made when there is objective evidence that the company will not be able to collect these receivables due to significant financial difficulties of the debtors, possibility of the debtors facing insolvency, or delinquent in making payments are considered indicators that the receivables is impaired. As at 30 September 2012, 38.2% of our trade receivables were within 60 days. For our other general insurance business, we are required to enforce a 60-day “premium warranty” clause on most types of insurance covers except for motor insurance policies, travel insurance, marine hull insurance and insurance bonds. Under the premium warranty clause, the insured is required to pay the premiums charged for the insurance within 60 days from the effective date of insurance cover. Otherwise, the insurance cover will be automatically cancelled from the 61st day. In the case of motor insurance, applicable regulations stipulate that motor insurance cover can only be issued by insurers or their agents on a “cash before cover” basis. This means that the premiums must be paid before a motor insurance cover note or policy can be issued.

The decrease in trade receivables turnover days from 218 days in 9M2011 to 138 days in 9M2012 was a result of our acquisition of TIMB Group and its trade receivables of RM33.5 million against its gross written premiums of RM73.7 million in 9M2012 since the date of acquisition as well as the implementation of stricter credit controls by our management team, particularly over trade receivables attributable from TIMB. As a portion of the gross written premiums and fees and commission expenses in 9M2012 is attributable to the acquisition of TIMB Group, the trade receivables turnover days in 9M2012 is not comparable to the trade receivables turnover days in 9M2011.

The decrease in trade receivables turnover days from 309 days in FY2010 to 159 days in FY2011 was primarily a result of the implementation of stricter credit controls by the current management team who joined at the end of FY2010/beginning of FY2011 for amounts outstanding.

The increase in trade receivables turnover days from 260 days in FY2009 to 309 days for FY2010 was primarily a result of an increase in operating revenue in FY2010 due to the increase in gross written premium.

Trade Payable Turnover Days

Most of our trade payables are amounts due to our insurance partners for premium ceded by TIMB. For our online insurance business, the “excess of loss” cover premiums are payable in advance every quarter. For our other general insurance business, the credit periods are generally 60 days from end of each quarter for treaty reinsurance and inception for facultative reinsurance. The trade payables consist of net amounts due mainly to reinsurers/cedants and agents/direct brokers/co-insurers. Generally, these are net amounts comprising premium less claims, commission and expenses.

The increase in trade payable turnover days from 273 days in 9M2011 to 493 days in 9M2012 was a result of our acquisition of TIMB Group and its trade payables of RM48.5 million since the date of acquisition. As a portion of the premiums ceded to reinsurers and related fees and fees and commission expenses in 9M2012 is attributable to the acquisition of TIMB Group, the trade payable turnover days in 9M2012 is not comparable to the trade payable turnover days in 9M2011.

The decrease in trade payable turnover days from 581 days in FY2010 to 54 days in FY2011 was primarily a result of the implementation of stricter credit controls by the current management team who joined at the end of FY2010/beginning of FY2011. The stricter controls implemented by the current management team include among others, netting off payables with receivables for one specific creditor.

11. FINANCIAL INFORMATION (Cont'd)

The increase in trade payables turnover days from 193 days in FY2009 to 581 days in FY2010 was primarily a result of the increase in operating revenue in FY2010 due to the increase in the gross written premium resulting in the increase in the premium ceded to reinsurers.

Inventory Turnover Days

Due to the nature of our business, we do not have any inventory, and accordingly, we do not have any inventory turnover days.

Current Ratio

The decrease in current ratio from 2.5 times in 9M2011 to 1.4 times in 9M2012 was a result of the increase in current liabilities in 9M2012 exceeding the increase in current assets from our acquisition of TIMB.

The decrease in current ratio from 2.5 times in FY2010 to 1.8 times in FY2011 was a result of an increase in claim reserves and improved trade receivable days.

There is no significant change in the current ratio from FY2009 to FY2010.

Gearing Ratio

The increase in gearing ratio from nil time in 9M2011 to 3.1 times in 9M2012 as we had entered into a term loan agreement from RHB Bank Berhad and CIMB Bank Berhad for up to RM160.0 million in May 2012 for the acquisition of TIMB. As at 30 September 2012, the outstanding amount payable was RM130.93 million.

Net Gearing Ratio

The net gearing ratio remained as nil times for both 9M2011 and 9M2012 as the cash and cash equivalent was more than sufficient to repay the term loan from RHB Bank Berhad and CIMB Bank Berhad.

Net Claims Incurred Ratio

The increase in net claims incurred ratio from 2% in 9M2011 to 34% in 9M2012 was a result of the acquisition of TIMB Group on 23 May 2012 as the net claims incurred ratio in 9M2012 for the other general insurance business was 61% as compared with the 4% for the online insurance business.

The net claims incurred ratio remained constant at 4% from FY2009 to FY2011.

Net Commission Ratio

The decrease in net commission ratio from 32% in 9M2011 to 19% in 9M2012 was a result of the acquisition of TIMB Group on 23 May 2012 as the net commission ratio for the other general insurance business was 9% as compared with 31% for the online insurance business.

The decrease in net commission ratio from 34% in FY2010 to 32% in FY2011 was a result of higher net earned premium registered in FY2011.

The decrease in net commission ratio from 37% in FY2009 to 34% FY2010 was a result of higher net earned premium registered in FY2010.

Management Expenses Ratio

The increase in management expenses ratio from 0.3% in 9M2011 to 16.1% in 9M2012 was a result of higher management expenses ratio registered in our newly acquired subsidiary TIMB coupled with higher management expenses in 9M2012 registered in our online insurance business as part of our management expenses were shared by our insurance partner in 9M2011.

11. FINANCIAL INFORMATION (Cont'd)

The increase in management expenses ratio from 0.5% in FY2010 to 2.6% in FY2011 was a result of higher staff cost, professional fees and administrative and general expenses from the newly registered reinsurance business in FY2011.

There is no significant change in the management expenses ratio from FY2009 to FY2010.

Combined Ratio

The increase in the combined ratio from 35% in 9M2011 to 70% in 9M2012 was a result of higher management expenses and claims incurred ratio from our acquisition of TIMB Group on 23 May 2012 as well as certain expense sharing arrangements with our business partner having ceased with effect from the beginning of 2012.

The combined ratio remained at 38% from FY2010 to FY2011

The decrease in the combined ratio from 42% in FY2009 to 38% in FY2010 was due to higher net earned premium registered in FY2010.

Capital Adequacy Ratio

TIMB registered a capital adequacy ratio of 194.7% as at 30 September 2012. Prior to our acquisition of TIMB in May 2012, the capital adequacy ratio, which is only applicable to general insurers, was not applicable to us. As at 30 November 2012, the capital adequacy ratio for TIMB was above its individual target capital level of 180%.

Ageing Analysis

The ageing analysis for trade receivables and payables as at 30 September 2012 is as follows:

<u>Ageing</u>	<u>1 - 30 days</u>	<u>31 - 60 days</u>	<u>61 - 90 days</u>	<u>91 - 120 days</u>	<u>120 days - 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Trade receivables (RM '000)	12,972	5,802	8,203	5,035	10,850	6,194	49,056
% of total trade receivables (%)	26.4	11.8	16.7	10.3	22.1	12.7	100.0
Trade payables (RM '000)	12,702	2,491	2,257	2,285	5,647	22,595	47,977
% of total trade payables (%)	26.5	5.2	4.7	4.8	11.8	47.0	100.0

Trade receivables

Our trade receivables are amounts due from TIMB and our local insurance partners in relation to our online insurance business. Trade receivables in our other general insurance business consist of premium due from agents, brokers and co-insurers and amount due from reinsurers and cedants.

Our online insurance business credit terms with these counterparties are generally for payment within 60 days and payments are generally made once a month. There is no allowance made for the impairment of these receivables as there is no event that may affect the future collectability of these receivables. For our other general insurance business, the credit period is 60 days for premiums warranty class of business.

As at 30 September 2012, 38.2% of our trade receivables were within 60 days. Trade receivables which exceeded 60 days are mainly due to time spend on reconciliation and confirmation of balances before settlement.

11. FINANCIAL INFORMATION *(Cont'd)*

Trade payables

Most of our trade payables are amounts due to our insurance partners for premium ceded by TIMB. The trade payables in online insurance business was RM129,000. Our trade payable consists of amount due to agents, brokers and co-insurers and amount due to reinsurers and cedants.

Our credit terms for our online insurance business, i.e. the “Excess of loss” cover premiums, are payable in advance every quarter. For our other general insurance business, the credit periods are generally 60 days from end of each quarter for treaty reinsurance and inception for facultative reinsurance.

As of 30 September 2012, 31.7% of our trade payables were within 60 days. Trade payables which exceeded 60 days are mainly due to time spend on reconciliation and confirmation of balances before settlement.

11.12 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

Contingent Liabilities

We do not have any contingent liability as at the LPD.

Capital Commitments

As at the LPD, we have capital commitments of RM10.0 million. Please refer to Section 11.10 - “Capital Expenditure” of this Prospectus for further details.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, change in financial condition, revenues or expenses, results of operations, capital expenditures or capital resources.

11.13 MARKET RISKS

We are exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates and equity market prices.

Our management monitors financial position closely with an objective to minimise potential adverse effects on our financial performance. We may use derivative financial instruments, where appropriate, for our risk management activities but we do not hold or issue derivative financial instruments for trading purposes.

Foreign Exchange Risk

Our reporting currency is the Malaysian Ringgit and a significant portion of our operating revenue (primarily our Travel Protection Plan sold in Malaysia and, effective May 2012, our TIMB insurance business) and expenses (primarily consisting of corresponding fee and commission expenses and fixed overheads such as management expenses) are denominated in Malaysian Ringgit. We face foreign exchange rate risk arising from the conversion of the functional currencies relating to any insurance product sold outside Malaysia, primarily our Travel Protection Plan, to our reporting currency. These foreign exchange risk exposures are mainly in Thai Baht, US Dollar, Indonesian Rupiah and Singapore Dollar. We are also exposed to fluctuations in the US Dollar arising from ceding of risk to reinsurers as certain international reinsurers charge us in US Dollar.

A 5% strengthening/weakening of the Ringgit Malaysia against foreign currencies as at the end of 30 September 2012 would have increased/decreased net profit by approximately RM323,000, assuming all other variables remain constant.

II. FINANCIAL INFORMATION (Cont'd)

Interest Rate Risk

Our exposure to interest rate risk arises primarily from the variable interest rate borrowings and investments in debt securities classified as available-for-sale. Our policy is to obtain the most favourable interest rates available. Any surplus funds will be placed with licensed banks to generate interest income.

At 30 September 2012, if interest rates had been 100 basis points lower/higher, with all other variables held constant, our net profit would have been RM55,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Equity Price Risk

Changes in the market value of investment securities can affect our net income and financial position. The investment committee at TIMB, which has oversight over investment decisions, manages the risk of unfavourable changes by cautious review of the investments before investing and continuous monitoring of their performance and risk profiles.

Our investment securities are classified as held-for-trading or available-for-sale.

As of 30 September 2012, our available-for-sale equity portfolio consists of shares of companies and unit trusts in Malaysia. A 5% increase/decrease in the prices of these securities as of 30 September 2012 would have increased/decreased our equity by RM2.1 million, arising as a result of higher/lower fair value gains, assuming all other variables were held constant.

II.14 GOVERNMENT, ECONOMIC, FISCAL AND MONETARY POLICIES

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 4 – “Risk Factors” of this Prospectus.

II.15 INFLATION

We do not believe that inflation has had a material impact on our business, financial condition or results of operations. If we were to experience significantly higher inflation than we have experienced in the past, we may not be able to fully offset such higher costs through price increases. Our failure or inability to do so could adversely affect our business, financial condition and results of operations.

II.16 ORDER BOOK

Due to the nature of our business, we do not maintain an order book.

II.17 PROSPECTS

The results of our operations for FY2012 are expected to be primarily influenced by the following factors, in addition to the factors included in Section 4 – “Risk Factors” and Section 11.5 – “Factors Affecting Our Results of Operations” of this Prospectus:

- (a) our ability to grow our revenue;
- (b) local and global economies and expectation of growth in air-travel or tourism in the Asia-Pacific region; and
- (c) management of operating expense.

11. FINANCIAL INFORMATION (Cont'd)

Save as disclosed in Section 4 – “Risk Factors” and Section 11.5 – “Factors Affecting Our Results of Operations” of this Prospectus, we are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on net sales or revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Prospectus to be not necessarily indicative of our future operating results or financial condition in respect of FY2012.

Subject to the factors described in this section of this Prospectus, we expect the results of our operations for FY2012 to be satisfactory.

11.18 Critical Accounting Policies

We prepare our financial statements in conformity with MFRS. In applying these accounting policies, we are required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and reported amounts of revenues and expenses as of and during the reporting period and that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that we consider to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of general insurance

The principal uncertainty in our general insurance business arises from the technical provisions which include the provisions for premium liabilities and claim liabilities. The provisions for premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation, while claims liabilities comprise provision for outstanding claims. Generally, provisions for premiums and claim liabilities are determined based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. In particular, we consider past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. We rely on third party actuarial analysis for these estimates. We expect that actual future premium and claim liabilities will not develop exactly as projected and may vary from our projections.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates.

At each reporting date, the estimates of premium and claim liabilities are re-assessed for adequacy by a qualified independent actuary and changes will be reflected as adjustments to these liabilities.

Impairment of non-financial and financial assets

The carrying amounts of non-financial assets are assessed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value in use. For the purpose of impairment testing of these assets, recoverable amount is determined on an individual basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to.

11. FINANCIAL INFORMATION (Cont'd)

We assess at each reporting date whether there is any objective evidence that a financial asset is impaired. Receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment of receivables could include our past experience of collecting payments, an increase in the number of delayed payments past the average credit period and observable changes in economic conditions. If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss. The carrying amount of the financial asset is reduced by the impairment loss except for receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account. If in a subsequent period, the amount of the impairment loss decreases as a result of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Provisions

Provisions are recognised when we have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the correct best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

11.19 CHANGES IN ACCOUNTING FRAMEWORK

The financial statements of our Group for the financial period ended 31 December 2009 is the first MFRS financial statements. MFRS 1 First-Time Adoption of Malaysian Reporting Standards ("MFRS 1") has been applied.

Our Group has adopted MFRS 1 on the date of incorporation of TIL, 27 March 2009. The adoption of MFRS 1 has not have any impact on the financial statements of the Group for the financial period/years ended 31 December 2009, 2010 and 2011. For the TIMB Group, the implication for the transition to MFRS is disclosed in Note 4.5.1 (4) of Section II – TIMB Group to the attached Accountants' Report.

11.20 RECENT ACCOUNTING PRONOUNCEMENTS

The following MFRSs, amendments to MFRSs and IC Interpretations have been issued by the MASB but are not yet effective and have not been adopted by us:

Effective for financial periods beginning on or after 1 July 2012:

- Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013

- Amendments to MFRS 1: Government Loans
- Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)
- Amendments to MFRS 10, MFRS 11 and MFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

11. FINANCIAL INFORMATION (Cont'd)

- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements 2009-2011 Cycle:
 - *Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards*
 - *Amendments to MFRS 101 Presentation of Financial Statements*
 - *Amendments to MFRS 116 Property, Plant and Equipment*
 - *Amendments to MFRS 132 Financial Instruments: Presentation*
 - *Amendments to MFRS 134 Interim Financial Reporting*
 - *Amendments to IC 2 Members' Shares in Co-operatives Entities and Similar Instruments*

Effective for financial periods beginning on or after 1 January 2014

- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

We plan to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to our financial statements upon their initial application.

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12. PRO FORMA FINANCIAL INFORMATION

In the following section we discuss and analyse our pro forma consolidated statements of comprehensive income for FY2009, FY2010, FY2011, 9M2011 and 9M2012. You should read the following discussion and analysis together with (a) Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information; and (b) Reporting Accountants' Report in relation to the Consolidated Financial Statements included in this Prospectus.

This discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and our financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under Section 4 - "Risk Factors" and "Forward-Looking Statements" of this Prospectus. We have derived our pro forma consolidated financial information from historical consolidated financial statements of TIH Group (being TIH and its subsidiaries (including TIMB from the date of its acquisition on 23 May 2012)) and TIMB Group (being TIMB and its subsidiary). The discussion and analysis in relation to TIH Group are set out in the earlier section of this Prospectus.

For a discussion of risks relating to relying on our pro forma consolidated financial information, please refer to Section 4.3(ii) "Risk Factors—Risks relating to an investment in our Shares—The pro forma financial information contained in this Prospectus may not accurately reflect our current 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" of this Prospectus.

12.1 BASIS OF PRESENTATION

We have prepared and presented our pro forma consolidated statements of comprehensive income based on the historical consolidated statements of comprehensive income of TIH Group and TIMB Group for FY2009, FY2010, FY2011, 9M2011 and 9M2012.

Please refer to Section 5 - "Information on Our Group" and note 3 to our pro forma consolidated financial information in Appendix I of the Reporting Accountant's Letter on the Pro Forma Consolidated Financial Information as set out in this Prospectus for a further discussion of our corporate structure and history and the presentation of our pro forma consolidated financial information, respectively.

The pro forma consolidated statements of comprehensive income are not necessarily indicative of the financial results that would have been attained had the TIMB Acquisition actually occurred earlier, in particular because we have made and intend to continue to make significant changes to TIMB's business and operations. The pro forma consolidated statements of comprehensive income have been prepared for illustrative purposes only and are based on certain bases and assumptions, and because of its nature, may not give a true picture of our actual results of operations. As such, investors should not unduly rely on the pro forma consolidated statements of comprehensive income.

The pro forma statements of comprehensive income have been compiled based on:

- (a) the audited historical consolidated statements of comprehensive income of TIH Group (including TIMB from the date of its acquisition on 23 May 2012) which were prepared in accordance with MFRS for FY2009, FY2010, FY2011 and 9M2012;
- (b) the unaudited historical consolidated statements of comprehensive income of TIH Group which were prepared in accordance with MFRS for 9M2011;
- (c) the audited historical consolidated statements of comprehensive income of TIMB Group which were prepared in accordance with MFRS for FY2009, FY2010, FY2011 and 9M2012; and
- (d) the unaudited historical consolidated statements of comprehensive income of TIMB Group which were prepared in accordance with MFRS for 9M2011.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

The pro forma consolidated statements of comprehensive income were prepared to reflect the financial results for FY2009, FY2010, FY2011, 9M2011 and 9M2012 had the TIMB Acquisition been made on 27 March 2009 (the date of incorporation of TIL).

The historical consolidated statements of comprehensive income of TIH Group and TIMB Group for FY2009, FY2010, FY2011 and 9M2012 were audited by the Reporting Accountants. The Reporting Accountants reported on the above financial statements, which were not subjected to any qualifications, modifications or disclaimers. The pro forma consolidated statements of comprehensive income are expressed in Malaysian Ringgit, and are rounded to the nearest thousand, unless otherwise stated.

12.2 SEGMENT INFORMATION

Our business consists of two principal segments: (a) online insurance business (mainly travel insurance conducted through TIL and TMGR, and since September 2012 also through TIMB which underwrites travel insurance directly in Malaysia); and (b) other general insurance business (motor and non-motor insurance conducted through TIMB since the TIMB Acquisition in May 2012). Our online insurance business also comprises, among others, our lifestyle protection plan (conducted through TMLR) which does not contribute in a material way to our operating revenue or our net profits.

Our online insurance products 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 travel insurance (sold to customers of AirAsia and branded as the "AirAsia INSURE Travel Protection Plan" as well as to customers of AirAsia Expedia and co-branded with "Tune Insurance" and "Expedia" trademarks), lifestyle protection insurance (sold to customers of AirAsia and branded as "AirAsia INSURE Lifestyle Protection Plan" as well as to customers of Tune Hotels, whose information is made available to us under the respective distribution and/or collaboration agreements) and guest personal accident insurance (sold to customers of Tune Hotels).

Our other general insurance business comprises motor insurance and non-motor insurance. Our non-motor insurance comprises among others, fire insurance and marine, aviation and transit insurance.

Our business can also be segmented by geography into two principal segments: (a) Malaysia and (b) non-Malaysia. With our acquisition of TIMB in May 2012, we expect that the operating revenue contribution for Malaysia will increase.

12.2.1 Segment information by business

The following tables set forth our operating revenue and profit before taxation and such amount as a percentage of total operating revenue and profit before taxation by principal segments for the periods indicated.

Operating revenue

	FY2009		FY2010		FY2011		9M2011		9M2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Online Insurance Business:										
Travel insurance	30,049	11.2	43,523	14.5	55,687	17.4	40,149	18.2	49,587 ⁽¹⁾	19.9
Other online insurance business ⁽²⁾	-	-	-	-	183	0.1	-	-	771	0.3
Other General Insurance Business:										
Motor insurance	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)
Non-motor Insurance	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)	_(3)
Total for other general insurance business	238,874	88.8	257,266	85.5	263,461	82.5	181,029	81.8	199,437 ⁽⁴⁾	79.8

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

	FY2009		FY2010		FY2011		9M2011		9M2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Others										
Others ⁽⁵⁾	-	-	-	-	14,000	4.4	-	-	10,106	4.0
Adjustments and elimination	-	-	-	-	(14,000)	(4.4)	-	-	(10,000)	(4.0)
Total	268,923	100	300,789	100	319,331	100	221,178	100	249,901	100

Notes:

- (1) Includes operating revenues of RM335,000 as a result of TIMB underwriting our travel insurance product directly in Malaysia.
- (2) Other online insurance business comprises business through TMLR relating to the AA Lifestyle Protection Plan and Tune Hotels Lifestyle Protection Plan.
- (3) We do not monitor our operating revenue by specific segments (i.e. motor and non-motor insurance) as it is not the industry practice to do so.
- (4) TIMB, operating our other general insurance business, underwrites online travel insurance products, resulting in operating revenues of RM335,000. These have been classified in the table under "Travel insurance".
- (5) Our other segment of our business comprises our investment income.

The operating revenue attributable to our online insurance business as a percentage of total operating revenue increased from 18.2% in 9M2011 to 19.9% in 9M2012 and was a result of growth in non-Malaysia markets such as Thailand, Indonesia and Singapore, coupled with the launch of the Japan market.

The increase in the operating revenue attributable to our online insurance business as a percentage of total operating revenue from 14.5% in FY2010 to 17.4% in FY2011 was primarily a result of growth registered in our major markets, namely Malaysia, Thailand, Indonesia and Singapore.

The increase in the operating revenue attributable to our online insurance business as a percentage of total operating revenue from 11.2% in FY2009 to 14.5% in FY2010 was primarily a result of growth registered in our major markets, namely Malaysia, Thailand, Indonesia, Singapore, and the launching of new markets of Australia and Hong Kong.

Profit before taxation

	FY2009		FY2010		FY2011		9M2011		9M2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Online Insurance Business:										
Travel Insurance	17,233	66.9	26,422	62.5	34,489	49.9	25,735	77.4	26,273 ⁽³⁾	81.1
Other online insurance business ⁽²⁾	-	-	-	-	(38)	(0.0)	-	-	(1,040)	(3.2)
Other General Insurance Business:										
Motor insurance	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎
Non-motor Insurance	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎	₍₃₎
Total for other general insurance business	8,529	33.1	15,856	37.5	34,971	50.5	7,530	22.6	17,788 ⁽⁴⁾	54.9
Others										
Others ⁽⁵⁾	-	-	-	-	13,744	19.8	-	-	261	0.8
Adjustments and elimination	-	-	-	-	(14,000)	(20.2)	-	-	(10,881)	(33.6)
Total	25,762	100	42,278	100	69,166	100	33,265	100	32,401	100

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) Includes profit before taxation of RM132,000 as a result of TIMB underwriting our travel insurance product directly in Malaysia
- (2) Other online insurance business comprises business through TMLR relating to the AA Lifestyle Protection Plan and Tune Hotels Lifestyle Protection Plan
- (3) We do not monitor our operating revenue by specific segments (i.e. motor and non-motor insurance) as it is not the industry practice to do so.
- (4) TIMB, operating our other general insurance business, underwrites online travel insurance products, resulting in profit before taxation of RM132,000. These have been classified in the table under "Travel insurance".
- (5) Our other segment of our business comprises our investment income.

Our online insurance business (mainly travel insurance conducted through TIL and TMGR) generally benefits from low claim rates and low expenses and hence has a good combined ratio leading to better profit margins. In addition, the motor insurance industry as a whole, including TIMB, has been loss making. Accordingly, despite generating lower operating revenue compared to our other general insurance business (motor and non-motor insurance conducted through TIMB), our online insurance business has generally a higher contribution to our profit before taxation.

The increase in the profit before taxation attributable to our online insurance business as a percentage of total profit before taxation from 77.4% in 9M2011 to 81.1% in 9M2012 was primarily a result of an increase in the number of policies issued by our local insurance partners and an increase in the average premium charged to end-customers.

The decrease in the profit before taxation attributable to our online insurance business as a percentage of total profit before taxation from 62.5% in FY2010 to 49.9% in FY2011 was primarily a result of a higher profit before taxation attributable to our other general insurance business due primarily to an improvement in TIMB's combined ratio from 100.6% in FY2010 to 91.5% in FY2011.

The decrease in the profit before taxation attributable to our online insurance business as a percentage of total profit before taxation from 66.9% in FY2009 to 62.5% in FY2010 was a result of a higher profit before taxation attributable to our other general insurance business due primarily to TIMB's improved combined ratio from 108% in FY2009 to 100.6% in FY2010, compared to the online insurance business where the combined ratio improved by only 3.1% from 41% to 37.9%.

12.2.2 Segment information by legal entities

The following tables set forth our operating revenue and profit before taxation and such amount as a percentage of total operating revenue and profit before taxation by entity within our Group for the periods indicated.

Operating revenue

	FY2009		FY2010		FY2011		9M2011		9M2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
TIL ⁽¹⁾	30,049	11.2	43,523	14.5	54,469	17.1	40,149	18.2	13,889	5.6
TMGR	-	-	-	-	1,218	0.4	-	-	35,698	14.2
TMLR	-	-	-	-	183	0.0	-	-	771	0.3
TIMB	238,874	88.8	257,266	85.5	263,461	82.5	181,029	81.8	199,437	79.8
TIH	-	-	-	-	-	-	-	-	106	0.1
Total	268,923	100	300,789	100	319,331	100	221,178	100	249,901	100

Note:

- (1) We have also channelled our business previously conducted through TIL to TMGR since the incorporation of TMGR.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)***Profit before taxation***

	FY2009		FY2010		FY2011		9M2011		9M2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
TIL ⁽¹⁾	17,233	66.9	26,422	62.5	34,619	50.1	25,735	77.4	10,848	33.5
TMGR	-	-	-	-	(130)	(0.2)	-	-	15,425	47.6
TMLR	-	-	-	-	(38)	(0.1)	-	-	(1,040)	(3.2)
TIMB	8,529	33.1	15,856	37.5	34,971	50.6	7,530	22.6	17,788	54.9
TIH	-	-	-	-	(256)	(0.4)	-	-	(10,620)	(32.8)
Total	25,762	100	42,278	100	69,166	100	33,265	100	32,401	100

Note:

⁽¹⁾ We have also channelled our business previously conducted through TIL to TMGR since the incorporation of TMGR.

12.2.3 Segment information by geography

The following tables set forth our operating revenue and profit before taxation and such amount as a percentage of total operating revenue and profit before taxation by geography (Malaysia and non-Malaysia) based on the jurisdictions of our local insurance partners for the respective underlying policies for the periods indicated.

Operating revenue

	FY2009		FY2010		FY2011		9M2011		9M2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	260,049	96.7	287,351	95.5	299,117	93.7	206,817	93.5	225,758	90.3
Non-Malaysia										
Thailand	3,493	1.3	5,053	1.7	8,256	2.6	5,774	2.6	9,172	3.7
Indonesia	3,201	1.2	4,143	1.4	5,394	1.7	4,040	1.8	5,887	2.4
Others ⁽¹⁾	2,180	0.8	4,242	1.4	6,564	2.0	4,547	2.1	9,084	3.6
Total	268,923	100	300,789	100	319,331	100	221,178	100	249,901	100

Note:

⁽¹⁾ Others refer to, among others, Singapore, Macau and Hong Kong.

The decrease in the operating revenue arising and derived from Malaysia as a percentage of total operating revenue from 93.5% in 9M2011 to 90.3% in 9M2012 was primarily a result of higher growth in Thailand, Indonesia and other non Malaysia market.

The decrease in the operating revenue arising and derived from Malaysia as a percentage of total operating revenue from 95.5% in FY2010 to 93.7% in FY2011 was primarily a result of higher growth in Thailand, Indonesia and other non Malaysia market.

The decrease in the operating revenue arising and derived from Malaysia as a percentage of total operating revenue from 96.7% in FY2009 to 95.5% in FY2010 was primarily a result of higher growth in Thailand, Indonesia and other non-Malaysia markets due to the launch of new markets such as Australia and Hong Kong. As the operating revenue derived from non-Malaysia markets grew, the % of operating revenue from Malaysia decreased.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)**Profit before taxation**

	FY2009 ⁽¹⁾		FY2010 ⁽¹⁾		FY2011 ⁽¹⁾		9M2011 ⁽¹⁾		9M2012 ⁽¹⁾	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	21,138	82.0	35,103	83.0	57,825	83.6	24,546	73.8	20,047	61.9
Non-Malaysia										
Thailand	1,815	7.0	2,760	6.5	4,727	6.8	3,530	10.6	4,818	14.9
Indonesia	1,791	7.0	2,397	5.7	3,288	4.8	2,614	7.9	3,357	10.4
Others ⁽²⁾	1,018	4.0	2,018	4.8	3,326	4.8	2,575	7.7	4,179	12.8
Total	25,762	100	42,278	100	69,166	100	33,265	100	32,401	100

Notes:

⁽¹⁾ The profit before taxation figures by geographical segment are derived from: (a) the gross earned premiums received from our local insurance partners from the various countries and territories; (b) management expenses are apportioned to respective geographical segment based on the gross earned premiums; (c) investment income is earned and recognised in Malaysia only; and (d) all of TIMB's business is recognised in Malaysia.

⁽²⁾ Others refer to, among others, Singapore, Macau and Hong Kong.

The decrease in the profit before taxation arising and derived from Malaysia as a percentage of total profit before taxation from 73.8% in 9M2011 to 61.9% in 9M2012 was primarily a result of growth registered in Thailand, Indonesia and other market. The profit before taxation derived from Malaysia was impacted by other operating expenses and finance cost for the acquisition of TIMB.

There is no significant change in the profit before taxation arising and derived from Malaysia as a percentage of total profit before taxation from FY2009 to FY2010 and from FY2010 to FY2011.

12.3 PRO FORMA ADJUSTMENTS TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In the preparation of the pro forma consolidated statements of comprehensive income, the TIMB Acquisition is assumed to have occurred on 27 March 2009 (the date of incorporation of TIL). The following tables show the pro forma adjustments, as a result of the TIMB Acquisition, made to the consolidated statements of comprehensive income of TIH Group for the respective periods presented. The profit and loss pertaining to TIMB Group is included in our pro forma statements of comprehensive income for FY2009, FY2010, FY2011, 9M2011 and 9M2012 as consolidated entities on 27 March 2009.

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12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

	FY2009			FY2010		
	Audited	Audited	Unaudited	Audited	Audited	Unaudited
	Consolidated statement of comprehensive income of TIH Group	Consolidated statement of comprehensive income of TMB Group	Pro forma consolidated statements of comprehensive income ⁽¹⁾	Consolidated statement of comprehensive income of TIH Group	Consolidated statement of comprehensive income of TMB Group	Pro forma consolidated statements of comprehensive income ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue						
Gross earned premiums	30,049	238,874	268,923	43,523	257,266	300,789
Premiums ceded to reinsurers	(524)	(117,387)	(117,911)	(803)	(121,484)	(122,287)
Net earned premiums	29,525	108,893	138,418	42,720	122,662	165,382
Investment income	-	12,594	12,594	-	13,120	13,120
Realised gains and losses	-	4,739	4,739	-	3,144	3,144
Fees and commission income	-	19,329	19,329	-	15,747	15,747
Other operating income	-	123	123	-	373	373
Other revenue	-	36,785	36,785	-	32,384	32,384
Gross claims paid	(127)	(226,078)	(226,205)	(1,222)	(129,574)	(130,796)
Claims ceded to reinsurers	-	141,960	141,960	-	47,533	47,533
Gross changes to contract liabilities	(925)	122,147	121,222	(302)	47,995	47,693
Change in contract liabilities ceded to reinsurers	-	(125,844)	(125,844)	-	(58,084)	(58,084)
Net claims	(1,052)	(87,815)	(88,867)	(1,524)	(92,130)	(93,654)
Fee and commission expenses	(11,062)	(2,466)	(3,528)	(14,473)	(23,831)	(38,304)
Management expenses	(178)	(23,868)	(24,046)	(202)	(23,229)	(23,431)
Other operating expenses	-	-	-	(99)	-	(99)
Other expenses	(11,240)	(49,334)	(60,574)	(14,774)	(47,060)	(61,834)
Profit before taxation	17,233	8,529	25,762	26,422	15,856	42,278
Taxation	(20)	(2,751)	(2,751)	(20)	(5,665)	(5,685)
Net profit for the year	17,213	5,798	23,011	26,402	10,191	36,593
Other selected financial data						
Profit before taxation margin ⁽²⁾ (%)	57.3	3.6	9.6	60.7	6.2	14.1
Net profit margin ⁽³⁾ (%)	57.3	2.4	8.6	60.7	4.0	12.2
Earnings per share ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

	FY2011			9M2011		
	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited
	Consolidated statement of comprehensive income of TIH Group	Consolidated statement of comprehensive income of TIH Group	Consolidated statement of comprehensive income of TIH Group	Consolidated statement of comprehensive income of TIH Group	Consolidated statement of comprehensive income of TIH Group	Pro forma consolidated statements of comprehensive income
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Operating revenue						
Gross earned premiums	55,870	263,461	319,331	40,149	181,029	221,178
Premiums ceded to reinsurers	55,493	245,770	301,263	40,149	169,519	209,668
	(1,063)	(89,345)	(90,408)	(759)	(68,309)	(69,068)
Net earned premiums	54,430	156,425	210,855	39,390	101,210	140,600
Investment income	377	17,691	18,068	-	11,510	11,510
Realised gains and losses	-	6,060	6,060	-	5,565	5,565
Fees and commission income	-	13,551	13,551	-	10,401	10,401
Other operating income	26	130	156	-	76	76
Other revenue	403	37,432	37,835	-	27,552	27,552
Gross claims paid	(1,123)	(137,170)	(138,293)	(623)	(108,537)	(109,160)
Claims ceded to reinsurers	-	55,849	55,849	-	48,485	48,485
Gross changes to contract liabilities	(819)	11,821	11,002	(103)	(21,307)	(21,410)
Change in contract liabilities ceded to reinsurers	-	(38,444)	(38,444)	-	(1,439)	(1,439)
Net claims	(1,942)	(107,944)	(109,886)	(726)	(82,798)	(83,524)
Fee and commission expenses	(17,292)	(26,010)	(43,302)	(12,794)	(19,228)	(32,022)
Management expenses	(1,404)	(22,782)	(24,186)	(135)	(19,206)	(19,341)
Other operating expenses	-	(2,150)	(2,150)	-	-	-
Other expenses	(18,696)	(50,942)	(69,638)	(12,929)	(38,434)	(51,363)
Profit before taxation	34,195	34,971	69,166	25,735	7,530	33,265
Taxation	(20)	(8,718)	(8,738)	(20)	(2,795)	(2,815)
Net profit for the year	34,175	26,253	60,428	25,715	4,735	30,450
Other selected financial data						
Profit before taxation margin ⁽²⁾ (%)	61.2	13.3	21.7	64.1	4.2	15.0
Net profit margin ⁽³⁾ (%)	61.2	10.0	18.9	64.0	2.6	13.8
Earnings per share ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

(Cont'd)

	9M2012		
	Audited	Audited	Unaudited
	Consolidated statement of comprehensive income of TIH Group	Consolidated statement of comprehensive income of TIMB Group	Pro forma consolidated statements of comprehensive income ⁽¹⁾
	RM'000	RM'000	RM'000
Operating revenue	50,129	199,772	249,901
Gross earned premiums	49,406	186,464	235,870
Premiums ceded to reinsurers	(882)	(72,890)	(73,772)
Net earned premiums	48,524	113,574	162,098
Investment income	723	13,308	14,031
Realised gains and losses	-	8,039	8,039
Fees and commission income	-	10,999	10,999
Other operating income	1	383	384
Other revenue	724	32,729	33,453
Gross claims paid	(1,292)	(122,474)	(123,766)
Claims ceded to reinsurers	-	58,492	58,492
Gross changes to contract liabilities	(729)	(48,702)	(49,431)
Change in contract liabilities ceded to reinsurers	-	23,306	23,306
Net claims	(2,021)	(89,378)	(91,399)
Fee and commission expenses	(15,074)	(19,217)	(34,291)
Management expenses	(7,634)	(19,788)	(27,422)
Other operating expenses	(2,881)	-	(2,881)
Finance cost	(7,157)	-	(7,157)
Other expenses	(32,746)	(39,005)	(71,751)
Profit before taxation	14,481	17,920	32,401
Taxation	(40)	(4,624)	(4,664)
Net profit for the period	14,441	13,296	27,737
Other selected financial data			
Profit before taxation margin ⁽²⁾ (%)	28.9	9.0	13.0
Net profit margin ⁽³⁾ (%)	28.8	6.7	11.1
Earnings per share ⁽⁴⁾	N/A	N/A	N/A

Notes:

⁽¹⁾ Extracted from Section 6 of Appendix I to the Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information for our pro forma consolidated financial information for FY2009, FY2010, FY2011 and 9M2012.

⁽²⁾ Profit before taxation margin refers to profit before taxation divided by operating revenue.

⁽³⁾ Net profit margin refers to net profit divided by operating revenue.

⁽⁴⁾ Not applicable, as earnings per share cannot be derived on a pro forma basis.

12.3.1 Revenue

The principal components of pro forma operating revenue are revenue from gross earned premiums and investment income. Other revenue includes realised gains and losses, fees and commission income and other operating income.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)*Gross earned premiums*

Pro forma gross earned premiums consist of the gross earned premiums of TIH Group and the gross earned premiums of TIMB Group. Gross earned premiums of TIMB Group consist of the gross premiums TIMB receives from its customers on motor insurance products and non-motor insurance products as well as its share from the Malaysian Motor Insurance Pool, less provision for unearned premiums. TIMB's non-motor insurance products consist of its fire, MAT (marine, aviation and transit) and miscellaneous insurance products (including health, dental, engineering, workman compensation and foreign workers).

For FY2009, FY2010, FY2011, 9M2011 and 9M2012, our total pro forma gross earned premiums were approximately RM256.3 million, RM287.7 million, RM301.3 million, RM209.7 million and RM235.9 million, respectively.

The following table sets forth the pro forma gross earned premiums by each business segment and as a percentage of our total pro forma gross earned premiums.

	FY2009		FY2010		FY2011		9M2011		9M2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Online Insurance Business:										
Travel insurance	30,049	11.7	43,523	15.1	55,493	18.4	40,149	19.1	49,197 ⁽¹⁾	20.9
Other online insurance business ⁽²⁾	-	-	-	-	-	-	-	-	544	0.2
Other General Insurance Business:										
Motor insurance	88,070	34.4	101,465	35.3	124,603	41.4	95,347	45.5	106,037	45.0
Non-motor insurance										
Fire	24,835	9.7	22,074	7.7	21,787	7.2	17,762	8.5	14,189	6.0
Marine, aviation and transit	92,487	36.1	97,602	33.9	71,233	23.7	37,589	17.9	48,486	20.6
Others	20,888	8.1	23,005	8.0	28,147	9.3	18,821	9.0	17,417	7.3
Total for non-motor insurance	138,210	53.9	142,681	49.6	121,167	40.2	74,172	35.4	80,092	33.9
Total for other general insurance business	226,280	88.3	244,146	84.9	245,770	81.6	169,519	80.9	186,129 ⁽⁴⁾	78.9
Total	256,329	100	287,669	100	301,263	100	209,668	100	235,870	100

Notes:

⁽¹⁾ Includes gross earned premiums of RM335,000 as a result of TIMB underwriting our travel insurance product directly in Malaysia.

⁽²⁾ Other online insurance business comprises business through TMLR relating to the AA Lifestyle Protection Plan and Tune Hotels Lifestyle Protection Plan.

⁽³⁾ Others refer to, among others, health, dental, engineering, workman compensation and foreign workers

⁽⁴⁾ TIMB, operating our other general insurance business, underwrites the online travel insurance products, resulting in gross earned premiums of RM335,000. These have been classified in the table under "Travel insurance".

Premiums ceded to reinsurers

Pro forma premiums ceded to reinsurers consist of the premiums ceded to reinsurers by TIH Group and TIMB Group. TIMB Group cedes out a small percentage of the premiums for its motor insurance products and cedes out the majority of the premiums for its non-motor insurance products.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)*Net earned premiums*

Pro forma revenue from net earned premiums is the result of gross earned premiums received from customers by TIH Group and TIMB Group after deducting the premiums ceded to external reinsurers. For FY2009, FY2010, FY2011, 9M2011 and 9M2012, our total pro forma net earned premiums were approximately RM138.4 million, RM165.4 million, RM210.9 million, RM140.6 million and RM162.1 million, respectively.

The following table sets forth the pro forma net earned premiums by each business segment and as a percentage of our total pro forma net earned premiums.

	FY2009		FY2010		FY2011		9M2011		9M2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Online Insurance Business:										
Travel insurance	29,525	21.3	42,720	25.8	54,430	25.8	39,390	28.0	48,311 ⁽¹⁾	29.8
Other online insurance business ⁽²⁾	-	-	-	-	-	-	-	-	544	0.3
Other General Insurance Business:										
Motor insurance	81,055	58.6	92,588	56.0	126,812	60.1	85,014	60.5	93,986	58.0
Non-motor insurance										
Fire	3,496	2.5	6,391	3.9	5,579	2.6	3,439	2.4	690	0.4
Marine, aviation and transit	10,400	7.5	9,134	5.5	4,109	2.0	2,604	1.9	6,221	3.8
Others	13,942	10.1	14,549	8.8	19,925	9.5	10,153	7.2	12,346	7.7
Total for non-motor insurance	27,838	20.1	30,074	18.2	29,613	14.1	16,196	11.5	19,257	11.9
Total for other general insurance business	108,893	78.7	122,662	74.2	156,425	74.2	101,210	72.0	113,243 ⁽⁴⁾	69.9
Total	138,418	100	165,382	100	210,855	100	140,600	100	162,098	100

Notes:

⁽¹⁾ Includes net earned premiums of RM331,000 as a result of TIMB underwriting our travel insurance product directly in Malaysia.

⁽²⁾ Other online insurance business comprises business through TMLR relating to the AA Lifestyle Protection Plan and Tune Hotels Lifestyle Protection Plan.

⁽³⁾ Others refer to, among others, health, dental, engineering, workman compensation and foreign workers

⁽⁴⁾ TIMB, operating our other general insurance business, underwrites the online travel insurance products, resulting in net earned premiums of RM331,000. These have been classified in the table under "Travel insurance".

Investment income

Pro forma investment income comprises investment income from TIH Group and TIMB Group. Investment income of TIMB Group is primarily interest income from "held-to-maturity" financial assets, "available-for-sale" financial assets, loans-and-receivables and others, as well as TIMB Group's share of investment income from the Malaysian Motor Insurance Pool.

Realised gains and losses

Pro forma realised gains and losses are solely attributable to gains and losses on disposal of equity investments by TIMB Group.

Fees and commission income

Pro forma fees and commission income are solely attributable to the commissions TIMB Group receives from its external reinsurers when it enters into reinsurance arrangements with them, primarily in relation to its non-motor insurance products.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)*Other operating income*

Pro forma other operating income comprises other operating income from TIH Group and TIMB Group. Other operating income with respect to TIMB Group is its sundry income which comprises primarily administrative printing fees it receives for its policies, motor ownership transfer fees and proceeds from the disposal of small assets.

12.3.2 Expenses

The principal components of pro forma expenses are net claims, fee and commission expenses, management expenses and other operating expenses.

Net claims

The following table sets out the components of our net claims for the financial years and periods indicated.

	Proforma				
	FY2009	FY2010	FY2011	9M2011	9M2012
	RM'000	RM'000	RM'000	RM'000	RM'000
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 change in 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)

Pro forma net claims are the net claims paid to local insurance partners and/or customers who made a claim on the insurance purchased during the relevant year/period for TIH Group and TIMB Group.

Net claims for TIMB Group are the summation of (a) gross claims paid by TIMB Group to its customers, which are actual amounts paid for losses suffered and claimed by its customers, (b) claims ceded to reinsurers, which are amounts paid by its reinsurers pursuant to claims paid by TIMB to its customers, (c) gross change to contract liabilities, which refers to the change in provision for reported claims and "incurred but not reported" claims and are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern and (d) change in contract liabilities ceded to reinsurers, which is the change in provision for the amount to be paid by TIMB's reinsurers for its reported claims and "incurred but not reported" claims. Gross claims paid and gross change to contract liabilities also include TIMB Group's share from the Malaysian Motor Insurance Pool.

For FY2009, FY2010, FY2011, 9M2011 and 9M2012, our pro forma total net claims were approximately RM88.9 million, RM93.7 million, RM109.9 million, RM83.5 million and RM91.4 million, respectively.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

The following table sets forth the pro forma net claims by each business segment and as a percentage of our total pro forma net claims.

	FY2009		FY2010		FY2011		9M2011		9M2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Online Insurance Business:										
Travel insurance	(1,052)	1.2	(1,524)	1.6	(1,942)	1.8	(726)	0.9	(1,734) ⁽¹⁾	1.9
Other online insurance business ⁽²⁾	-	-	-	-	-	-	-	-	(287)	0.3
Other General Insurance Business:										
Motor insurance	(56,991)	64.1	(90,857)	97.0	(104,700)	95.3	(72,898)	87.3	(77,334)	84.6
Non-motor insurance										
Fire	(6,398)	7.2	(296)	0.3	(1,457)	1.3	(1,296)	1.6	(1,636)	1.8
Marine, aviation and transit	(7,008)	7.9	8,002	(8.5)	1,172	(1.1)	(1,619)	1.8	(3,000)	3.3
Others	(17,418)	19.6	(8,979)	9.6	(2,959)	2.7	(6,985)	8.4	(7,408)	8.1
Total for non-motor insurance	(30,824)	34.7	(1,273)	1.4	(3,244)	2.9	(9,900)	11.8	(12,044)	13.2
Total for other general insurance business	(87,815)	98.8	(92,130)	98.4	(107,944)	98.2	(82,798)	99.1	(89,378)	97.8
Total	(88,867)	100	(93,654)	100	(109,886)	100	(83,524)	100	(91,399)	100

Notes:

- ⁽¹⁾ Includes net claims as a result of TIMB underwriting our travel insurance product directly in Malaysia which, in the period indicated, is a negligible amount.
- ⁽²⁾ Other online insurance business comprises business through TMLR relating to the AA Lifestyle Protection Plan and Tune Hotels Lifestyle Protection Plan.
- ⁽³⁾ Others refer to, among others, health, dental, engineering, workman compensation and foreign workers

Fee and commission expenses

Pro forma fee and commission expenses consist of fee and commission expenses of TIH Group and TIMB Group. Fee and commission expenses of TIMB Group are primarily for commissions paid to its agents, brokers and franchisees and also include TIMB Group's share from the Malaysian Motor Insurance Pool.

Management expenses

Pro forma management expenses comprise the management expenses of TIH Group and TIMB Group. The management expenses of TIMB Group comprise employee benefits expenses, directors' remuneration, auditors' remuneration, depreciation of property and equipment, depreciation of investment property, amortization of intangible assets, reversal of allowance for impairment losses on insurance receivables, provision for TakafuI and Insurance Benefits Protection System levy, rental of premises, publicity and marketing expenses, communication expenses, computer expenses and administration and general expenses, as well as TIMB Group's share of management expenses from the Malaysian Motor Insurance Pool.

Other operating expenses

Pro forma other operating expenses comprise other operating expenses for TIH Group and TIMB Group. Other operating expenses for TIMB Group comprise primarily impairment losses for properties which were incurred in FY2011. No other operating expenses were incurred by TIMB Group for other periods.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)*Finance cost*

Pro forma finance costs are solely attributable to finance costs for TIH Group, which comprise interest attributable to TIH Group's term loan from RHB Bank Berhad and CIMB Bank Berhad as well as advances from TMSB.

12.3.3 Other selected financial data*Profit before taxation margin*

The decrease in profit before taxation margin from 15.0% in 9M2011 to 13.0% in 9M2012 was primarily a result of operating expenses and finance cost for the acquisition of TIMB in 9M2012. Other factors contributing to a lower profit before taxation margin for 9M2012 was an increase in operating expenses from our online insurance business which registered higher management expenses in 9M2012 compared with 9M2011 as previously management expenses in 9M2011 were shared by our insurance partner.

The increase in profit before taxation margin 14.1% in FY2010 to 21.7% in FY2011 was primarily a result of improved performance in TIMB from claims and management expenses ratio. In FY2011, the effectiveness of TIMB Group's claim management also improved as evidenced from the decrease in loss ratio (ratio of net claims incurred to net earned premium) from 75% in FY2010 to 69% in FY2011. The increase in pro forma management expenses was due to an increase in TIH Group management expenses from RM202,000 for FY2010 to RM1,404,000 for FY2011, partially offset by a decrease in management expenses for TIMB Group from RM23.2 million for FY2010 to RM22.8 million for FY2011.

The increase in profit before taxation margin 9.6% in FY2009 to 14.1% in FY2010 was primarily a result of lower fees and commission expenses registered in FY2010 against operating revenue registered in online insurance business and lower claims and management expenses ratio in TIMB.

Net profit margin

The decrease in net profit margin from 13.8% in 9M2011 to 11.1% in 9M2012 was primarily a result of higher management expenses in our Labuan registered companies, operating expenses and financing cost from the acquisition of TIMB.

The increase in net profit margin 12.2% in FY2010 to 18.9% in FY2011 was primarily a result of improved claims and management expenses ratio in TIMB. In line with the improved performance, the profit margin was impacted by the increase in tax of RM3.0 million.

The increase in net profit margin from 8.6% in FY2009 to 12.2% in FY2010 was primarily a result of lower fees and commission expenses registered in FY2010 against operating revenue registered in online insurance business and lower claims and management expenses ratio in TIMB. This was offset slightly by the increase in tax of RM2.9 million in FY2010.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

12.3.4 9M2012 compared to 9M2011

The following table sets forth our selected information from our pro forma consolidated statements of comprehensive income, such amount as a percentage of total pro forma operating revenue and the respective percentage change for the periods indicated.

	9M2011		9M2012		% Change
	RM'000	% of Operating revenue	RM'000	% of Operating revenue	
Operating revenue	221,178	100.0	249,901	100.0	13.0
Gross earned premiums	209,668	94.8	235,870	94.4	12.5
Premiums ceded to reinsurers	(69,068)	(31.2)	(73,772)	(29.5)	6.8
Net earned premiums	140,600	63.6	162,098	64.9	15.3
Investment income	11,510	5.2	14,031	5.6	21.9
Realised gains and losses	5,565	2.5	8,039	3.2	44.5
Fees and commission income	10,401	4.7	10,999	4.4	5.7
Other operating income	76	0.0	384	0.2	405.3
Other revenue	27,552	12.5	33,453	13.4	21.4
Net claims	(83,524)	(37.8)	(91,399)	(36.6)	9.4
Fee and commission expenses	(32,022)	(14.5)	(34,291)	(13.7)	7.1
Management expenses	(19,341)	(8.7)	(27,422)	(11.0)	41.8
Other operating expenses	-	-	(2,881)	(1.2)	-
Finance cost	-	-	(7,157)	(2.9)	-
Other expenses	(51,363)	(23.2)	(71,751)	(28.7)	39.7
Profit before taxation	33,265	15.0	32,401	13.0	(2.6)
Net profit	30,450	13.8	27,737	11.0	(8.9)

Operating Revenue

Total pro forma operating revenue increased by 13.0% from RM221.2 million for 9M2011 to RM249.9 million for 9M2012.

Gross earned premiums

Pro forma gross earned premiums increased by 12.5% from RM209.7 million for 9M2011 to RM235.9 million for 9M2012.

The increase in pro forma gross earned premiums was due to an increase in gross earned premiums for TIMB Group from RM169.5 million for 9M2011 to RM186.5 million for 9M2012 and an increase in the gross earned premiums of the TIH Group from RM40.1 million for 9M2011 to RM49.4 million for 9M2012.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

The increase in gross earned premiums for TIMB Group was due to an increase in gross earned premiums from RM95.3 million to RM106.0 million in relation to its motor insurance products and from RM74.2 million to RM80.4 million in relation to its non-motor insurance products. Gross earned premiums for motor insurance products increased primarily because of an increase in the number of underwritten policies covered by TIMB Group in 9M2012 (in particular the carryover effect of unearned premiums for prior periods) and the increase in gross earned premiums from TIMB Group's share of the Malaysian Motor Insurance Pool in 9M2012 (as compared with the prior period due to the delay in issuing statements by the Malaysian Motor Insurance Pool of TIMB Group's share in 9M2011).

Premiums ceded to reinsurers

Pro forma premiums ceded to reinsurers increased by 6.8% from RM69.1 million for 9M2011 to RM73.8 million for 9M2012.

The increase in pro forma premiums ceded to reinsurers was due to the increase in premiums ceded by TIMB Group from RM68.3 million for 9M2011 to RM72.9 million for 9M2012 and an increase in premiums ceded to reinsurers by the TIH Group from RM759,000 for 9M2011 to RM822,000 for 9M2012.

The increase in premiums ceded to reinsurers by TIMB Group for motor policies was due to the increase in gross earned premiums for motor policies from 9M2011 to 9M2012 and was also due to an increase in gross earned premiums for non-motor policies and risk ceded for certain high-risk classes of non-motor policies such as offshore oil and gas products.

Net earned premiums

As a result of the above, pro forma net earned premiums increased by 15.3% from RM140.6 million for 9M2011 to RM162.1 million for 9M2012.

Investment income

Pro forma investment income increased by 21.9% from RM11.5 million for 9M2011 to RM14.0 million for 9M2012.

The increase in pro forma investment income was due to an increase in investment income for TIMB Group from RM11.5 million for 9M2011 to RM13.3 million for 9M2012 and an increase in investment income for TIH Group from nil for 9M2011 to RM723,000 for 9M2012.

The increase in investment income for TIMB Group was primarily due to an increase in interest income from deposits and debt securities from RM9.3 million in 9M2011 to RM11.9 million in 9M2012 which was partially offset by a decrease in interest income from "held-to-maturity" financial assets from RM638,000 in 9M2011 to nil in 9M2012.

Realised gains and losses

Pro forma realised gains and losses increased by 44.5% from RM5.6 million for 9M2011 to RM8.0 million for 9M2012.

The increase in pro forma realised gains and losses, which is solely attributable to TIMB Group, was primarily due to the liquidation of certain equity investments to lock-in gains in the value of these investments and to reduce exposure to market risk. TIMB Group is in the process of reducing equity market risk exposure and commenced liquidating its equity investments in 9M2012.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)Fees and commission income

Pro forma fees and commission income increased by 5.7% from RM10.4 million for 9M2011 to RM11.0 million for 9M2012. This increase was attributable entirely to TIMB Group since the TIH Group did not have any fees and commission income for 9M2011 and 9M2012.

The increase was in line with the increase in premium ceded to reinsurers by TIMB as a result of an increase in gross premiums received in 9M2012 compared to 9M2011.

Other operating income

Pro forma other operating income increased from RM76,000 for 9M2011 to RM384,000 for 9M2012.

The increase in pro forma other operating income was almost entirely due to an increase in other operating income for TIMB Group from RM76,000 for 9M2011 to RM383,000 for 9M2012.

The increase in other operating income for TIMB Group was primarily due to an increase in investment income from TIMB Group's share of the Malaysian Motor Insurance Pool in 9M2012 as compared to 9M2011.

Expenses

Total pro forma expenses increased by 21.0% from RM134.9 million for 9M2011 to RM163.2 million for 9M2012.

Net claims

Pro forma net claims increased by 9.4% from RM83.5 million for 9M2011 to RM91.4 million for 9M2012.

The increase in pro forma net claims was due to an increase in net claims for TIMB Group from RM82.8 million for 9M2011 to RM89.4 million for 9M2012 and an increase in net claims for the TIH Group from RM726,000 for 9M2011 to RM2.0 million for 9M2012.

The increase in net claims for TIMB Group was primarily due to a general growth in policies underwritten and comprised (a) an increase in gross change to contract liabilities from RM21.3 million to RM48.7 million and (b) an increase in gross claims paid by TIMB Group to its customers from RM108.5 million to RM122.5 million, and which are partially offset by (c) an increase in claims ceded to reinsurers from RM48.5 million to RM58.5 million, (d) an increase in the change in contract liabilities ceded to reinsurers from RM1.4 million to RM23.3 million. The increase in net claims was also partially due to the increase in net claims from TIMB Group's share of the Malaysian Motor Insurance Pool in 9M2012 (as compared with the prior period due to the delay in the issuance of statements by the Malaysian Motor Insurance Pool of TIMB Group's share in 9M2011).

Gross change to contract liabilities refers to change in our provision for reported claims and "incurred but not reported" claims, which are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern. The fluctuations in gross change to contract liabilities are mainly due to change in claims development pattern. Change in contract liabilities ceded to reinsurers is the change in provision for the amount to be paid by TIMB's reinsurers for its reported claims and "incurred but not reported" claims.

Fee and commission expenses

Pro forma fee and commission expenses increased by 7.1% from RM32.0 million for 9M2011 to RM34.3 million for 9M2012.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

The increase in pro forma fee and commission expenses was due to an increase in the fee and commission expenses for TIH Group from RM12.8 million for 9M2011 to RM15.1 million for 9M2012. Fee and commission expenses for TIMB Group stayed constant at RM19.2 million from 9M2011 to 9M2012.

Management expenses

Pro forma management expenses increased by 41.8% from RM19.3 million for 9M2011 to RM27.4 million for 9M2012.

The increase in pro forma management expenses was due to an increase in management expenses for TIH Group from RM135,000 for 9M2011 to RM7.6 million for 9M2012 as well as an increase in management expenses for TIMB Group from RM19.2 million for 9M2011 to RM19.8 million for 9M2012.

The increase in management expenses for TIMB Group was primarily due to an increase in employee benefits by RM1.6 million and administrative and general expenses of RM714,000 and these were partially offset by a reversal of allowance for impairment losses on insurance receivables of RM2.2 million in 9M2012 as compared to a reversal of only RM1.2 million in 9M2011. The reversal (write back) of allowance for impairment losses was due to tighter credit control and intensified legal recovery of long outstanding bad debts.

Other operating expenses

Pro forma other operating expenses increased from nil for 9M2011 to RM2.9 million for 9M2012. The increase in pro forma other operating expenses was entirely due to an increase in other operating expenses for TIH Group.

Pro forma finance cost

Pro forma finance costs increased from nil for 9M2011 to RM7.2 million for 9M2012. This increase was solely attributable to TIH Group.

12.3.5 FY2011 compared to FY2010

The following table sets forth our selected information from our pro forma consolidated statements of comprehensive income, such amount as a percentage of total pro forma operating revenue and the respective percentage change for the periods indicated.

	FY2010		FY2011		% Change
	RM'000	% of Operating revenue	RM'000	% of Operating revenue	
Operating revenue	300,789	100	319,331	100	6.2
Gross earned premiums	287,669	95.6	301,263	94.3	4.7
Premiums ceded to reinsurers	(122,287)	(40.7)	(90,408)	(28.3)	(26.1)
Net earned premiums	165,382	55.0	210,855	66.0	27.5
Investment income	13,120	4.4	18,068	5.7	37.7
Realised gains and losses	3,144	1.0	6,060	1.9	92.7
Fees and commission income	15,747	5.2	13,551	4.2	(13.9)
Other operating income	373	0.1	156	0.05	(58.2)
Net claims	(93,654)	(31.1)	(109,886)	(34.4)	17.3
Fee and commission expenses	(38,304)	(12.7)	(43,302)	(13.6)	13.0
Management expenses	(23,431)	(7.8)	(24,186)	(7.6)	3.2
Other operating expenses	(99)	(0.03)	(2,150)	(0.7)	2,071.7

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

	FY2010		FY2011		% Change
	RM'000	% of Operating revenue	RM'000	% of Operating revenue	
Profit before taxation	42,278	14.1	69,166	21.7	63.6
Net profit	36,593	12.2	60,428	18.9	65.1

Operating Revenue

Total pro forma operating revenue increased by 6.2% from RM300.8 million for FY2010 to RM319.3 million for FY2011.

Gross earned premiums

Pro forma gross earned premiums increased by 4.7% from RM287.7 million for FY2010 to RM301.3 million for FY2011.

The increase in pro forma gross earned premiums was due to an increase in gross earned premiums of TIH Group from RM43.5 million for FY2010 to RM55.5 million for FY2011 and an increase in gross earned premiums for TIMB Group from RM244.1 million for FY2010 to RM245.8 million for FY2011.

The increase in gross earned premiums for TIMB Group was due to an increase in gross earned premiums from RM101.5 million to RM124.6 million in relation to its motor insurance product, mostly offset by a decrease in gross earned premiums from RM142.7 million to RM121.2 million in relation to its non-motor insurance products. The increase in gross earned premiums from FY2010 to FY2011 was also a result of a one-off adjustment in the fourth quarter of 2011 with respect to a refinement of the actuarial estimation of premium liabilities.

TIMB Group achieved higher gross earned premiums from its motor insurance products in FY2011 primarily due to contributions from its agency business / relationship with Perodua which increased substantially since commencing in January 2009 and which more than offset the cessation of TIMB Group's agency business / relationship with Toyota in June 2010 due to its high proportion of net claims incurred to net earned premium (i.e. a high loss ratio). New insurance policies for taxis in Tawau and Kota Bharu, Malaysia were also underwritten during FY2011, further contributing to the increase in the gross earned premium income for TIMB Group's motor insurance segment.

The gross earned premiums from TIMB Group's non-motor insurance products decreased from RM142.7 million in FY2010 to RM121.2 million in FY2011. This decrease was a result of management's decision to reduce its sales activities and/or its "fronting" business (in which TIMB Group acted as a fronting insurer for reinsurers) in relation to its higher risk insurance products such as aviation, fire, engineering and marine products. In particular, the gross earned premium from TIMB Group's marine cargo and marine hull insurance products decreased sharply. The general decrease in the gross earned premiums for non-motor products was partially offset by an increase in gross earned premiums from personal accident and bond insurance products.

Premiums ceded to reinsurers

Pro forma premiums ceded to reinsurers decreased by 26.1% from RM122.3 million for FY2010 to RM90.4 million for FY2011.

The decrease in pro forma premiums ceded to reinsurers was due to a decrease in premiums ceded to reinsurers by TIMB Group from RM121.5 million for FY2010 to RM89.3 million for FY2011, partially offset by an increase in premiums ceded to reinsurers by the TIH Group from RM803,000 for FY2010 to RM1,063,000 for FY2011.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

The decrease in premiums ceded to reinsurers by TIMB Group was due to TIMB Group's decision to reduce its sales activities and/or its "fronting" business in relation to its higher risk insurance products such as aviation, fire, engineering and marine hull insurance products. The decrease in premiums ceded to reinsurers from FY2010 to FY2011 was also a result of a one-off adjustment in the fourth quarter of 2011 with respect to a refinement of the actuarial estimation of premium liabilities.

Net earned premiums

As a result of the above, pro forma net earned premiums increased by 27.5% from RM165.4 million for FY2010 to RM210.9 million for FY2011.

Investment income

Pro forma investment income increased by 37.7% from RM13.1 million for FY2010 to RM18.1 million for FY2011.

The increase in pro forma investment income was due to an increase in investment income for TIMB Group from RM13.1 million for FY2010 to RM17.7 million for FY2011 and an increase in investment income for TIH Group from nil for FY2010 to RM377,000 for FY2011.

The increase in investment income for TIMB Group was primarily due to an increase in interest income from "loans-and-receivables" deposits from RM4.2 million to RM6.5 million, an increase in dividend income from RM970,000 to RM1,823,000 and an increase in interest income from "available-for-sale" financial assets from RM5.7 million to RM5.9 million, which was partially offset by a decrease in interest income from "held-to-maturity" financial assets from RM1,297,000 to RM638,000. This increase was due to an increase in the principal invested for "loans-and-receivables" and "available-for-sale" financial assets as well as an increase in the average interest rate for "loans-and-receivables" deposits, partially offset by a decrease in the principal invested in "held-to-maturity" financial assets.

Realised gains and losses

Pro forma realised gains and losses increased by 92.7% from RM3.1 million for FY2010 to RM6.1 million for FY2011.

The increase in pro forma realised gains and losses, which is solely attributable to TIMB Group, was primarily due to an increase in realised gains for "available-for-sale" financial assets from RM4.0 million to RM6.7 million which was a result of the disposal and/or maturities of investments and a decrease in realised losses from RM932,000 to RM704,000.

Fees and commission income

Pro forma fees and commission income decreased by 13.9% from RM15.7 million for FY2010 to RM13.6 million for FY2011.

This decrease was attributable entirely to TIMB Group since TIH Group did not have any fees and commission income for FY2010 and FY2011. The decrease was primarily due to a corresponding decrease in premiums ceded to reinsurers by TIMB Group.

Other operating income

Pro forma other operating income decreased by 58.2% from RM373,000 for FY2010 to RM156,000 for FY2011.

The decrease in pro forma other operating income was due to a decrease in other operating income for TIMB Group from RM373,000 to RM130,000, which was partially offset by an increase in other operating income for TIH Group from nil to RM26,000.

The decrease in other operating income for TIMB Group was primarily due to a decrease in sundry income.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)*Expenses*

Total pro forma expenses increased by 15.4% from RM155.5 million for FY2010 to RM179.5 million for FY2011.

Net claims

Pro forma net claims increased by 17.3% from RM93.7 million for FY2010 to RM109.9 million for FY2011.

The increase in pro forma net claims was due to an increase in net claims for TIMB Group from RM92.1 million for FY2010 to RM107.9 million for FY2011 and an increase in net claims for TIH Group from RM1.5 million for FY2010 to RM1.9 million for FY2011.

The increase in net claims for TIMB Group was due to (a) an increase in gross claims paid by TIMB Group to its customers from RM129.6 million to RM137.2 million, (b) an increase in claims ceded to reinsurers from RM47.5 million to RM55.8 million, which are partially offset by (c) a decrease in gross change to contract liabilities from RM48.0 million to RM11.8 million and (d) a decrease in change in contract liabilities ceded to insurers from RM58.1 million to RM38.4 million.

The increase in net claims for TIMB Group was primarily from an increase in net claims of TIMB Group's motor insurance business from RM90.9 million to RM104.7 million as a result of the TIMB Group expediting the settling and closing of a significant number of older claims files before the expiry of the six-year statutory limitation period relating to claims settlement. Although net claims increased, the effectiveness of TIMB Group's claims management also improved from FY2010 to FY2011 as evidenced from the decrease in its loss ratio (ratio of net claims incurred to net earned premium) from 75% in FY2010 to 69% in FY2011.

Gross change to contract liabilities refers to change in our provision for reported claims and "incurred but not reported" claims, which are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern. The fluctuations in gross change to contract liabilities are mainly due to change in claims development pattern. Change in contract liabilities ceded to reinsurers is the change in provision for the amount to be paid by TIMB's reinsurers for its reported claims and "incurred but not reported" claims.

Fee and commission expenses

Pro forma fee and commission expenses increased by 13.0% from RM38.3 million for FY2010 to RM43.3 million for FY2011.

The increase in pro forma fee and commission expenses was due to an increase in the fee and commission expenses for TIH Group from RM14.5 million for FY2010 to RM17.3 million for FY2011 and an increase in fee and commission expenses for TIMB Group from RM23.8 million for FY2010 to RM26.0 million for FY2011.

The increase in fee and commission expenses of TIMB Group was primarily due to an increase in the number of policies sold, particularly motor policies.

Management expenses

Pro forma management expenses increased by 3.2% from RM23.4 million for FY2010 to RM24.2 million for FY2011.

The increase in pro forma management expenses was due to an increase in TIH Group management expenses from RM202,000 for FY2010 to RM1,404,000 for FY2011, partially offset by a decrease in management expenses for TIMB Group from RM23.2 million for FY2010 to RM22.8 million for FY2011.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

The decrease in management expenses for TIMB Group was primarily due to an increase in reversal of allowance for impairment losses on insurance receivables from RM511,000 to RM3,759,000, partially offset by, among others, an increase in employee benefits expenses by RM2.1 million, publicity expenses by RM510,000, administration and general expenses by RM497,000 and rental of premises expenses by RM129,000. The increase in reversal (write back) of allowance for impairment losses was due to tighter credit control and intensified legal recovery of long outstanding bad debts.

Other operating expenses

Pro forma other operating expenses increased from RM99,000 for FY2010 to RM2.2 million for FY2011.

The increase in pro forma other operating expenses was due to an increase in other operating expenses for TIMB Group from nil for FY2010 to RM2,150,000 for FY2011, partially offset by a decrease in TIH Group's other operating expenses from RM99,000 for FY2010 to nil for FY2011.

The increase in other operating expenses for TIMB Group was due to an impairment loss on property and equipment in FY2011 of RM2,150,000 as a result of a valuation performed by an external professional valuer. There was no such impairment in FY2010 as TIMB did not value property and equipment in FY2010 as this is not required to be valued annually.

12.3.6 FY2010 compared to FY2009

The following table sets forth our selected information from our pro forma consolidated statements of comprehensive income, such amount as a percentage of total pro forma operating revenue and the respective percentage change for the periods indicated.

	FY2009		FY2010		% Change
	RM'000	% of Operating revenue	RM'000	% of Operating revenue	
Operating revenue	268,923	100	300,789	100	11.8
Gross earned premiums	256,329	95.3	287,669	95.6	12.2
Premiums ceded to reinsurers	(117,911)	(43.8)	(122,287)	(40.7)	3.7
Net earned premiums	138,418	51.5	165,382	55.0	19.5
Investment income	12,594	4.7	13,120	4.4	4.2
Realised gains and losses	4,739	1.8	3,144	1.0	(33.7)
Fees and commission income	19,329	7.2	15,747	5.2	(18.5)
Other operating income	123	0.05	373	0.1	203.3
Net claims	(88,867)	(33.0)	(93,654)	(31.1)	5.4
Fee and commission expenses	(36,528)	(13.6)	(38,304)	(12.7)	4.9
Management expenses	(24,046)	(8.9)	(23,431)	(7.8)	(2.6)
Other operating expenses	-	-	(99)	(0.03)	-
Profit before taxation	25,762	9.6	42,278	14.1	64.1
Net profit	23,011	8.6	36,593	12.2	59.0

Operating Revenue

Total pro forma operating revenue increased by 11.8% from RM268.9 million for FY2009 to RM300.8 million for FY2010.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

Gross earned premiums

Pro forma gross earned premiums increased by 12.2% from RM256.3 million for FY2009 to RM287.7 million for FY2010.

The increase in pro forma gross earned premiums was due to an increase in gross earned premiums for TIMB Group from RM226.3 million for FY2009 to RM244.1 million for FY2010 and an increase in the gross earned premiums of TIH Group from RM30.0 million for FY2009 to RM43.5 million for FY2010.

The increase in gross earned premiums for TIMB Group was due to an increase in gross earned premiums in relation to TIMB Group's motor class from RM88.1 million for FY2009 to RM101.5 million for FY2010 and an increase in gross earned premiums in relation to TIMB Group's non-motor insurance class from RM138.2 million for FY2009 to RM142.7 million for FY2010.

The gross earned premiums from TIMB Group's motor class increased partially as a result of TIMB Group withdrawing from its Toyota agency business due to its high loss ratio and focusing on more profitable business opportunities with other agencies, for example, Perodua. It also increased because of the increase of the "loading rate" (the additional premium charged to cars above a certain age) of third party commercial vehicles from 100% in FY2009 to 150% in FY2010 in all TIMB Group's branches and an increase of TIMB Group's focus on more profitable business from FY2009 to FY2010 resulting in an increase in Permit C policies (which are policies for certain commercial lorries in Malaysia) underwritten from FY2009 to FY2010.

Gross earned premiums for TIMB's non-motor insurance class increased slightly despite a significant drop in the gross earned premiums from marine cargo and marine insurance products as a result of a general increase in the gross earned premiums from non-MAT insurance products.

Premiums ceded to reinsurers

Pro forma premiums ceded to reinsurers increased by 3.7% from RM117.9 million for FY2009 to RM122.3 million for FY2010.

The increase in pro forma premiums ceded to reinsurers was due to an increase in premiums ceded to reinsurers by TIMB Group from RM117.4 million for FY2009 to RM121.5 million for FY2010 and an increase in premiums ceded to reinsurers by the TIH Group from RM524,000 for FY2009 to RM803,000 for FY2010.

The increase in premiums ceded to reinsurers for TIMB Group was a result of the increase in gross earned premiums, partially offset by TIMB Group generally ceding a smaller proportion of premiums to reinsurers.

Net earned premiums

As a result of the above, pro forma net earned premium increased by 19.5% from RM138.4 million for FY2009 to RM165.4 million for FY2010.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)Investment income

Pro forma investment income increased by 4.2% from RM12.6 million for FY2009 to RM13.1 million for FY2010. The increase in pro forma investment income was due entirely to an increase in investment income for TIMB Group from RM12.6 million for FY2009 to RM13.1 million for FY2010.

This increase was due to an increase in interest income from “loans-and-receivables” deposits from RM3.1 million to RM4.2 million as a result of an increase in principal amount from RM146.5 million for FY2009 to RM181.1 million for FY2010, partially offset by a decrease in dividend income from RM1.5 million to RM970,000 and a decrease in interest income from “held-to-maturity” financial assets from RM1.6 million for FY2009 to RM1.3 million for FY2010 as a result of a decrease in principal amount from RM35.4 million for FY2009 to RM30.1 million for FY2010.

There was no investment income for TIH Group in FY2009 and FY2010.

Realised gains and losses

Pro forma realised gains and losses decreased by 33.7% from RM4.7 million for FY2009 to RM3.1 million for FY2010.

The decrease in pro forma realised gains and losses was due to a decrease in realised gains and losses for TIMB Group from RM4.7 million for FY2009 to RM3.1 million for FY2010, which was primarily due to a decrease in total realised gains for “available-for-sale” financial assets from RM4.7 million to RM3.1 million. The TIH Group did not have any realised gains and losses in FY2009 and FY2010.

Fees and commission income

Pro forma fees and commission income decreased by 18.5% from RM19.3 million for FY2009 to RM15.7 million for FY2010. This was attributable entirely to TIMB Group since the TIH Group did not have any fee and commission income for FY2009 and FY2010. The decrease was primarily due to an increase in the retention ratio (the ratio of measuring the proportion of the premium TIMB retains as opposed to ceding to reinsurers) from 49.8% in FY2009 to 60.6% in FY2010. The increase in the retention ratio is mainly due to the increase in the retention ratio of the non-motor insurance class.

Other operating income

Pro forma other operating income increased from RM123,000 for FY2009 to RM373,000 for FY2010, primarily due to an increase in sundry income. TIH Group did not have any other operating income for FY2009 and FY2010.

Expenses

Total pro forma expenses increased by 4.1% from RM149.4 million for FY2009 to RM155.5 million for FY2010.

Net claims

Pro forma net claims increased by 5.4% from RM88.9 million for FY2009 to RM93.7 million for FY2010.

The increase in pro forma net claims was due to an increase in net claims for TIMB Group from RM87.8 million for FY2009 to RM92.1 million for FY2010 and an increase in net claims for the TIH Group from RM1.1 million for FY2009 to RM1.5 million for FY2010. The increase in net claims for TIMB Group was primarily due to a decrease in change in contract liabilities ceded to insurers from RM125.8 million to RM58.1 million, a decrease in gross claims paid from RM226.1 million to RM129.6 million, a decrease in claims ceded to insurers from RM142.0 million to RM47.5 million and a decrease in gross change in contract liabilities from RM122.1 million to RM48.0 million.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

Net claims increased primarily because of an increase in "incurred but not reported" reserves for TIMB's miscellaneous insurance class, an increase in the number of claims and average claim amount, and an increase in the loss ratio (proportion of net claims to net earned premiums) for TIMB's motor insurance product class.

Gross change to contract liabilities refers to change in our provision for reported claims and "incurred but not reported" claims, which are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern. The fluctuations in gross change to contract liabilities are mainly due to change in claims development pattern. Change in contract liabilities ceded to reinsurers is the change in provision for the amount to be paid by TIMB's reinsurers for its reported claims and "incurred but not reported" claims.

Fee and commission expenses

Pro forma fee and commission expenses increased by 4.9% from RM36.5 million for FY2009 to RM38.3 million for FY2010.

The increase in pro forma fee and commission expenses was due to an increase in fee and commission expenses for TIH Group from RM11.1 million for FY2009 to RM14.5 million for FY2010, partially offset by a decrease in fee and commission expenses for TIMB Group from RM25.5 million for FY2009 to RM23.8 million for FY2010.

Fee and commission expenses for TIMB Group comprise primarily commissions paid to agents, brokers and franchisees. The decrease for TIMB Group was primarily due to the decrease in policies sold from FY2009 to FY2010.

Management expenses

Pro forma management expenses decreased by 2.6% from RM24.0 million for FY2009 to RM23.4 million for FY2010.

The decrease in pro forma management expenses was due to a decrease in management expenses for TIMB Group from RM23.9 million for FY2009 to RM23.2 million for FY2010 which was partially offset by an increase in management expenses for TIH Group from RM178,000 for FY2009 to RM202,000 for FY2010.

The decrease in management expenses was primarily due to the decrease in employee benefits expenses by approximately RM1.0 million, due to the decrease in wages and salaries and other benefits of RM0.5 million, respectively.

Other operating expenses

Pro forma other operating expenses increased from nil for FY2009 to RM99,000 for FY2010.

The increase in pro forma other operating expenses was due to an increase in other operating expenses for TIH Group from nil for FY2009 to RM99,000 for FY2010. The other operating expenses for TIMB Group remained unchanged at nil from FY2009 to FY2010.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

Our principal sources of liquidity are cash generated from our operations, cash and cash equivalents and borrowings from financial institutions. In the last three financial years and 9M2012, we used these funds for, among others, the funding of our acquisition of TIMB and general working capital. As at 30 September 2012, we had cash and cash equivalents of RM167.6 million and total banking facilities of RM160.0 million, of which RM132.96 million is outstanding. Our ability to obtain these sources of funding is affected by a number of factors, including the results of our operations and financial position and the conditions in the Malaysian and international financial markets. Further, in the event we incur new borrowings, we may be subject to financial covenants.

After taking into consideration the existing level of cash and cash equivalents, the available lines of credit, the expected cash flow from operations and the proceeds from the Public Issue allocated for working capital purposes, our Board is of the opinion that our future cash flow generated by operating activities and our borrowing capacity will be sufficient for our working capital requirements for a period of 12 months from the date of this Prospectus.

12.4.2 Cash flow

The following table is a summary of our pro forma cash flow statements for the periods indicated:

	FY2009	FY2010	FY2011	9M2012
	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	37,962	8,417	53,458	54,879
Net cash used in investing activities	(234)	(176)	(646)	(163,992)
Net cash (used in)/generated from financing activities	(5,900)	(21,161)	(11,282)	158,297
Net increase / (decrease) in cash and cash equivalents	31,828	(12,920)	41,530	49,184
Cash and cash equivalents at beginning of the year / period	57,975	89,803	76,883	118,413
Cash and cash equivalents at end of the year / period	89,803	76,883	118,413	167,597

Cash flows generated from operating activities

For 9M2012, net cash from operating activities was RM54.9 million mainly due to the RM32.4 million of profit before taxation, with adjustments for, among others, reduction in non-cash items of RM2.9 million and working capital inflow movement of RM20.6 million. Net working capital inflow was mainly due to increases in insurance contract liabilities of RM43.0 million and decrease in reinsurance assets of RM27.3 million, partially offset by an increase in insurance receivables of RM4.9 million. Cash generated from operating activities was further adjusted for movement in cash operating items of RM12.3 million, primarily relating to net interest and net dividend received. Income tax paid was RM7.8 million.

For FY2011, net cash from operating activities was RM53.5 million mainly due to the RM69.2 million of profit before taxation, with adjustments for, among others, reduction in non-cash items of RM64.2 million and working capital inflow movement of RM34.5 million. Net working capital inflow was mainly due to decreases in insurance receivables of RM13.6 million and of reinsurance assets of RM25.4 million. Cash generated from operating activities was further adjusted for movement in cash operating items of RM17.4 million, primarily relating to net interest and net dividend received. Income tax paid was RM3.4 million.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

For FY2010, net cash from operating activities was RM8.4 million mainly due to the RM42.3 million of profit before taxation, with adjustments for, among others, reduction in non-cash items of RM67.6 million and working capital inflow movement of RM25.1 million. Net working capital inflow was mainly due to a decrease in reinsurance assets of RM93.9 million and increase in insurance payables of RM10.4 million, partially offset by a decrease in insurance contract liabilities of RM71.9 million and an increase in insurance receivables of RM8.1 million. Cash generated from operating activities was further adjusted for movement in cash operating items of RM11.3 million, primarily relating to net interest received. Income tax paid was RM2.7 million.

For FY2009, net cash from operating activities was RM38.0 million mainly due to the RM25.8 million of profit before taxation, with adjustments for, among others, reduction in non-cash items of RM10.4 million and working capital inflow movement of RM3.1 million. Net working capital inflow was mainly due to a decrease in reinsurance assets of RM123.0 million and increase in insurance payables of RM15.2 million, partially offset by a decrease in insurance contract liabilities of RM102.6 million and an increase in insurance receivables of RM28.5 million. Cash generated from operating activities was further adjusted for movement in cash operating items of RM8.9 million, primarily relating to net interest and net dividend received. Income tax refunded was RM10.6 million.

Cash flows used in investing activities

Our net cash used in investing activities was RM234,000 for FY2009, RM176,000 in FY2010, RM646,000 for FY2011 and RM164.0 million for 9M2012.

For 9M2012, our net cash used in investing activities was primarily for cash used in the acquisition of TIMB.

For FY2011, FY2010 and FY2009, our net cash used in investing activities was primarily from investment in property and equipment.

Cash flows (used in) / generated from financing activities

Our net cash used in financing activities was approximately RM5.9 million for FY2009, RM21.2 million for FY2010 and RM11.3 million for FY2011 and net cash generated from financing activities was approximately RM158.3 million for 9M2012.

For 9M2012, our net cash generated from financing activities was primarily due to proceeds from borrowings and advances from TMSB which were partially used for the acquisition of TIMB.

For FY2011, the net cash used in financing activities was primarily for the payment of dividends to our shareholders and non-controlling interest, which was offset by advances from our holding company amounting to RM17.2 million.

FY2010 and FY2009, our net cash used in financing activities was primarily for the payment of dividends to our shareholders and non-controlling interest, being TMSB and Multi-Purpose Capital Holdings Berhad, respectively.

12.5 BORROWINGS

	Interest rate	Audited As at 30 September 2012
Short-term borrowings		RM'000
Term loan	2.75% to 3.75% per annum above the banks' cost of funds	130,925

Most of our borrowings comprised term loans to finance the acquisition of TIMB. As at the LPD, our total borrowings amounted to RM132.96 million. As at 30 September 2012, the outstanding borrowings recognised in our financial statements was RM130.93 million, which was measured at the amortised cost after deducting transaction costs incurred. The following loan facility remains outstanding as at the LPD:

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)***Term Loan from RHB Bank Berhad and CIMB Bank Berhad***

On 21 May 2012, RHB Bank Berhad and CIMB Bank Berhad granted us a term loan facility of RM160.0 million for the purpose of the TIMB Acquisition. The term loan facility is denominated in Ringgit Malaysia and is secured by ordinary shares in TIMB. The term loan is to be repaid in 16 quarterly principal instalments commencing from the end of the 15th month from the date of the first drawdown, being 23 May 2012. The interest on the term loan is chargeable at rates ranging from 2.75% to 3.75% per annum above the banks' cost of funds. However, pursuant to the provisions of the term loan, we are required to undertake mandatory repayment of the loan in whole or in part at any time during the tenure upon receiving the proceeds arising from the IPO. Accordingly, the term loan is classified as short-term and repayable within one year as at 30 September 2012. The facility also imposes a restriction on the payment of dividends.

As at the LPD, we had drawn down RM132.96 million. We intend to utilise the net proceeds of this IPO to repay this loan in whole or in part. See Section 3.7 - "Use of Proceeds" of this Prospectus for further details.

There has been no default on payments of either interest or principal for our term loan throughout the nine-month period ended 30 September 2012. As at the LPD, we were not in breach of any terms and conditions or covenants associated with the term loan which can materially affect our financial position and results or business operations, or the investment by holders of our securities.

12.6 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with (a) "Reporting Accountants' Report in relation to the Consolidated Financial Statements" and the notes thereon as set out in Section 13 of this Prospectus, and (b) "Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information" and the notes thereon as set out in Section 12.9 of this Prospectus.

The table below sets forth the cash and cash equivalents as well as our capitalisation and indebtedness based on the audited consolidated financial statements of our Company and based on the pro forma consolidated statement of financial position as at 30 September 2012 as set out in Section 12.9 of this Prospectus, on the assumption that the proposals (as defined in the "Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information") had occurred on 30 September 2012. The pro forma consolidated statement of financial position below does not represent our actual capitalisation and indebtedness as at 30 September 2012 and is provided for information purposes only. Our total indebtedness is not guaranteed by any third party.

	Audited As at 30 September 2012	Unaudited As at 30 September 2012 (assuming that the proposals had occurred on 30 September 2012)
	RM'000	RM'000
Cash and cash equivalents ⁽¹⁾	167,597	246,903
Indebtedness		
Short-term borrowings		
Secured:		
Term loan	130,925	-(2)
Total indebtedness	130,925	-(2)
Total shareholders' equity / capitalisation (attributable to owners of the parent)	42,766	299,597
Total capitalisation and indebtedness	173,691	299,597
Gearing ratio (times) ⁽³⁾	3.1	-

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) Cash and cash equivalents comprise fixed and call deposits (with maturity of less than three months) with licensed financial institutions and cash and bank balances.
 (2) Assuming repayment of the term loan in full using the proceeds from IPO.
 (3) Total borrowings (excluding shareholder's advance) over equity attributable to owners of the parent.

12.7 CAPITAL EXPENDITURE

FY2009 through 9M2012

We had no material capital expenditure for FY2009, FY2010, FY2011 and 9M2012.

Planned Capital Expenditure

We plan to utilise approximately RM10.0 million for FY2013 for the implementation of a new core insurance system and associated technology in TIMB, which had been approved but not contracted for. We cannot assure you that we will not experience a cost over-run in excess of our targeted capital expenditure or that we will not also incur other amounts for other areas such as upgrading and refurbishment of its fixed properties. The anticipated sources of funding for our planned capital expenditure are cash flows from operation.

12.8 KEY FINANCIAL RATIOS

The following table sets forth certain of our financial ratios for the financial years and nine-month periods indicated (with the TIMB Acquisition assumed to have occurred on 27 March 2009, being the date of incorporation of TIL):

Key Financial Ratios	FY2009	FY2010	FY2011	9M2011	9M2012
Trade receivables turnover days ⁽¹⁾	84	103	71	81	69
Trade payables turnover days ⁽²⁾	125	262	208	197	197
Current ratio (times) ⁽³⁾	1.2	1.3	1.3	1.3	1.4
Net claims incurred (RM'000)	88,867	93,654	109,886	83,524	91,399
Net claims incurred ratio (%) ⁽⁴⁾	64	57	52	59	56
Net commission expenses (RM'000)	17,199	22,557	29,751	21,621	23,292
Net commission ratio (%) ⁽⁵⁾	12	14	14	15	14
Management expenses (RM'000)	24,046	23,431	24,186	19,341	27,422
Management expenses ratio (%) ⁽⁶⁾	17 ⁽⁸⁾	14 ⁽⁸⁾	12 ⁽⁸⁾	14	17
Combined ratio (%) ⁽⁷⁾	94 ⁽⁸⁾	84 ⁽⁸⁾	78 ⁽⁸⁾	89	88
Capital adequacy ratio (%) ¹	147.1	150.6	177.4	140.9	194.7

Notes:

- (1) Insurance receivables multiplied by 365 or 274 days, as the case may be, divided by the difference between gross written premium and fees and commission expenses. Gross written premium is the total premium on policies we issued during the financial year or nine-month period, as the case may be.
 (2) Insurance payables multiplied by 365 or 274 days, as the case may be, divided by the sum of premium ceded to reinsurers and related fees and fees and commission expenses. Premium ceded to reinsurers refers to all premiums, irrespective of whether that premium has been earned or is unearned.
 (3) Current assets over current liabilities.
 (4) Net claims over net earned premiums.
 (5) Net commission expenses over net earned premiums.
 (6) Management expenses over net earned premiums.
 (7) The sum of net claims, net commission and management expenses, divided by net earned premiums.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

- ⁽⁶⁾ *The management expenses ratio for FY2009, FY2010 and FY2011 are not comparable because certain expense sharing arrangements with our business partner ceased with effect from the beginning of 2012.*
- ⁽⁷⁾ *Capital adequacy ratio is with respect to TIMB only.*

Trade Receivables Turnover Days

Our trade receivables are amounts due from TIMB and our local insurance partners in relation to our online insurance business. Our credit terms with these counterparties are generally for payment within 60 days and payments are generally made once a month. There is no allowance made for the impairment of these receivables in relation to our online insurance business, as there is no event or indicators that may affect the future collectability of these receivables, like financial difficulties of the debtors, possibility of the debtors facing insolvency, or delinquent in making payments. As at 30 September 2012, 38.2% of our trade receivables were within 60 days. For our other general insurance business, we are required to enforce a 60-day "premium warranty" clause on most types of insurance covers except for motor insurance policies, travel insurance, marine hull insurance and insurance bonds. Under the premium warranty clause, the insured is required to pay the premiums charged for the insurance within 60 days from the effective date of insurance cover. Otherwise, the insurance cover will be automatically cancelled from the 61st day. In the case of motor insurance, applicable regulations stipulate that motor insurance cover can only be issued by insurers or their agents on a "cash before cover" basis. This means that the premiums must be paid before a motor insurance cover note or policy can be issued.

The decrease in trade receivables turnover days from 81 days in 9M2011 to 69 days in 9M2012 was a result of continued monitoring of debts collection in both the online travel business and TIMB, and in particular was a result of the implementation of stricter credit controls by our management team over trade receivables attributable from TIMB since our acquisition of TIMB.

The decrease in trade receivables turnover days from 103 days in FY2010 to 71 days in FY2011 was primarily a result of the implementation of stricter credit controls by the current management team who joined at the end of FY2010/beginning of FY2011 for amounts outstanding.

The increase in trade receivables turnover days from 84 days in FY2009 to 103 days in FY2010 was primarily a result of the increase in operating revenue in FY2010 of the online travel business coupled with a delay in the collection of premiums. In FY2009 and FY2010, the increase in trade receivables turnover days was due to both our online insurance business and our other general insurance business. In particular, there were delays in premiums collection as a result of the process in reconciliation and confirmation of balances between TIH Group, TIMB Group and their respective insurance partners before the settlement of premiums.

Trade Payable Turnover Days

Most of our trade payables are amounts due to our insurance partners for premium ceded by TIMB. For our online insurance business, the "excess of loss" cover premiums are payable in advance every quarter. For our other general insurance business, the credit periods are generally 60 days from the end of each quarter for treaty reinsurance and inception for facultative reinsurance.

The trade payable turnover days remain unchanged at 197 days for 9M2011 and 9M2012 as a result of continuous monitoring and timely reconciliation and settlement of premium due mainly to reinsurers and coinsurers.

The decrease in trade payable turnover days from 262 days in FY2010 to 208 days in FY2011 was primarily a result of the implementation of stricter credit controls by the new management team who joined at the end of FY2010/beginning of FY2011, in particular in netting off payables to and receivables from the particular creditor in the online travel business and an effort by management to improve reconciliation and settlement of outstanding premiums due to reinsurers and co-insurers.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

The increase in trade payables turnover days from 125 days in FY2009 to 262 days in FY2010 was primarily a result of the delay in settlement of premiums owed to reinsurers and co-insurers. The delay in the settlement of premiums owed to reinsurers was due to longer time spent on reconciliation and confirmation of balances before settlements.

Inventory Turnover Days

Due to the nature of our business, we do not have any inventory, and accordingly, we do not have any inventory turnover days.

Current Ratio

There was no significant change in the current ratio from FY2009 to 9M2012.

Gearing Ratio and Net Gearing Ratio

The gearing ratio and the net gearing ratio cannot be derived on a pro forma basis.

Net Claims Incurred Ratio

The decrease in the net claims incurred ratio from 59% in 9M2011 to 56% in 9M2012 was a result of improved performance registered in TIMB by which the net claims incurred ratio reduced from 81.8% to 78.7% due to continuous improved claims management and experience in 9M2012, despite the inclusion of our share of losses in Malaysia Motor Insurance Pool, and this is partially offset by an increase in TIH claims incurred ratio from 1.8% to 4.2% as a result of an increase in claims in non-Malaysia markets.

The decrease in the net claims incurred ratio from 64% in FY2009 to 57% in FY2010 and to 52% in FY2011 was a result of a write-back of provision for claims arising from improved claims management through a review of outstanding claims as well as an improvement in claims experience in the non-motor segment and an expedited process for claims settlement.

Net Commission Ratio

There was no significant change in the net commission ratio from FY2010 to 9M2012.

The increase in the net commission ratio from 12% in FY2009 to 14% in FY2010 was a result of a higher retention ratio (the ratio of measuring the proportion of the premium TIMB retains as opposed to ceding to reinsurers) in TIMB's non-motor insurance business.

Management Expenses Ratio

The increase in management expenses ratio from 14% in 9M2011 to 17% in 9M2012 was a result of increase in TIH Group from RM135,000 for 9M2011 to RM7.6 million for 9M2012 and TIMB Group which increased from RM19.2 million in 9M2011 to RM19.8 million in 9M2012.

The increase in management expenses for TIMB Group was primarily due to an increase in employee benefits by RM1.6 million and administrative and general expenses of RM714,000, partially offset by a reversal of allowance for impairment losses of RM2.2 million in 9M2012 as compared to a reversal of only RM1.2 million in 9M2011.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

The decrease in management expenses ratio from 14% in FY2010 to 12% in FY2011 was a result of lower management expenses ratio registered in TIMB of 14.6% from 18.9% in FY2010 due primarily to an increase in reversal of allowance for impairment losses on insurance receivables from RM511,000 to RM3,759,000, partially offset by, among others, an increase in employee benefits expenses by RM2.1 million, publicity expenses by RM510,000, administration and general expenses by RM497,000 and rental of premises expenses by RM129,000. The increase in reversal (write back) of allowance for impairment losses was due to tighter credit control and intensified legal recovery of long outstanding bad debts. The improved management expenses ratio in TIMB was offset slightly by the increase in online travel business ratio of 0.5% to 14.6%.

The decrease in management expenses ratio from 17% in FY2009 to 14% in FY2010 was a result of improved management expenses ratio registered in TIMB from approximately 21% to 18.9% in FY2010. The decrease in pro forma management expenses was due to a decrease in management expenses for TIMB Group from RM23.9 million for FY2009 to RM23.2 million for FY2010 which was partially offset by an increase in management expenses for TIH Group from RM178,000 for FY2009 to RM202,000 for FY2010.

The decrease in management expenses was primarily due to the decrease in employee benefits expenses by approximately RM1.0 million, due to the decrease in wages and salaries and other benefits of RM0.5 million, respectively

Combined Ratio

There was no significant change in the combined ratio from 9M2011 to 9M2012.

The decrease in combined ratio from 94% in FY2009 to 84% in FY2010 and to 78% in FY2011 was mainly due to lower claims incurred ratio as a result of a write-back of provision for claims arising from improved claims management through a review of outstanding claims as well as improved in claims experience in non-motor segment and expedited process for claims settlement.

Capital Adequacy Ratio

The increase in the capital adequacy ratio from 140.9% in 9M2011 to 194.7% in 9M2012 was a result of an increase in total capital available and decrease in total capital required due to lower risk capital charges arising from reduced investments and lower insurance liabilities. As at 30 November 2012, the capital adequacy ratio for TIMB was above its individual target capital level of 180%.

The increase in the capital adequacy ratio from 150.6% in FY2010 to 177.4% in FY2011 was a result of an increase of total capital available by RM26.5 million relative to an increase of RM1.3 million in total capital required.

The increase in the capital adequacy ratio from 147.1% in FY2009 to 150.6% in FY2010 was a result of an increase of total capital available by RM13.4 million relative to an increase of RM7.0 million in total capital required due to higher risk capital charges arising from increased investment and insurance liabilities.

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12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

12.9 REPORTING ACCOUNTANT'S LETTER ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION



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REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in the Prospectus of Tune Ins Holdings Berhad (formerly known as Tune Ins Holdings Sdn. Bhd.) to be dated 23 January 2013)

8 January 2013

The Board of Directors
Tune Ins Holdings Berhad
(Formerly known as Tune Ins Holdings Sdn. Bhd.)
Bangunan Tune Insurance
No. 38, Jalan Ampang
50450 Kuala Lumpur

Dear Sirs,

**TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

We report on the accompanying pro forma consolidated financial information of Tune Ins Holdings Berhad (formerly known as Tune Ins Holdings Sdn. Bhd.) ("TIH" or "the Company") and its subsidiaries ("TIH Group" or "the Group") as set out in Appendix I. The pro forma consolidated financial information has been prepared by the Directors of TIH for illustrative purposes only, for inclusion in the Prospectus to be dated 23 January 2013 in connection with the listing of TIH on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and has been prepared on the basis described in the accompanying notes.

The transactions that have been considered in this letter include the following (collectively referred to as "the proposals"):

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



A. Restructuring scheme:

The following have been implemented as of the date of this letter:

- (a) Sub-division of 14,238,508 ordinary shares of TIH of RM1.00 each into 142,385,080 ordinary shares of RM0.10 each.
- (b) The issuance of 466,000,000 new ordinary shares of RM0.10 each in TIH to the holding company, Tune Money Sdn Bhd ("TMSB") via capitalisation of the advances from holding company (TMSB) of RM46,600,000.
- (c) Exercise of AirAsia Berhad's option to purchase a 20% equity interest in TIH from TMSB for a consideration of RM16.0 million on 11 October 2012, pursuant to a call option agreement dated 20 April 2012.

B. Listing scheme:

In conjunction with the listing and quotation for TIH's shares on the Main Market of Bursa Securities, the following will be implemented:

- (a) Initial public offering and offer for sale of TIH's shares:

Initial public offering of up to 210,224,900 ordinary shares of RM0.10 each in TIH comprising a public issue of up to 143,374,900 new ordinary shares of RM0.10 each in TIH ("public issue shares") and an offer for sale of up to 66,850,000 existing ordinary shares of TIH of RM0.10 each ("offer shares"), involving:

- (i) The institutional offering of up to 102,028,100 public issue shares and up to 66,850,000 offer shares to Bumiputera investors approved by the Ministry of Finance, other Malaysian institutional and selected investors and foreign institutional and selected investors 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 Malaysian citizens, companies, co-operatives, societies and institutions, 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.

The above will be subject to clawback and reallocation provisions and over-allotment option as described in the Prospectus.

This letter is required by and is given for the purpose of complying with the Prospectus Guidelines - Equity and Debt issued by the Securities Commission ("Prospectus Guidelines") and for no other purpose. The pro forma consolidated financial information, because of its nature, may not be reflective of the Group's actual financial results, financial position and cash flows.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



Responsibilities

It is solely the responsibility of the Board of Directors of TIH to prepare the pro forma consolidated financial information in accordance with the requirements of the Prospectus Guidelines. It is our responsibility to form an opinion as required by the Prospectus Guidelines, as to the proper compilation of the pro forma consolidated financial information, and to report our opinion to you.

In providing this opinion, we are not responsible for updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma consolidated financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with Malaysian Approved Standards on Assurance Engagements, ISAE 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma consolidated financial information with the Directors of TIH.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma consolidated financial information has been properly prepared on the basis stated using financial statements prepared in accordance with Malaysian Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the TIH Group.

Our work also involves assessing whether each material adjustment made to the information used in the preparation of the pro forma consolidated financial information is appropriate for the purposes of preparing the pro forma consolidated financial information.

Our Opinion

In our opinion:

- (a) the pro forma consolidated financial information which has been prepared by the Directors of TIH has been properly prepared on the basis stated using the financial statements prepared in accordance with Malaysian Financial Reporting Standards and in a manner consistent with both the format of the financial statements and accounting policies adopted by the TIH Group; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated financial information is appropriate for the purposes of preparing the pro forma consolidated financial information.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



Ernst & Young

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

Brandon Bruce Sta Maria

Brandon Bruce Sta Maria

No. 2937/09/13(J)

Chartered Accountant

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)**APPENDIX I****TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION****1. Introduction**

The pro forma consolidated financial information of Tune Ins Holdings Berhad (formerly known as Tune Ins Holdings Sdn. Bhd.) ("TIH" or "the Company") and its subsidiaries ("TIH Group"), consists of the following:

- (a) The audited consolidated statements of financial position of TIH Group as at 30 September 2012;
- (b) The pro forma consolidated statements of comprehensive income of TIH Group for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and for the nine-month financial period ended 30 September 2012; and
- (c) The pro forma consolidated statements of cash flows of TIH Group for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and for the nine-month financial period ended 30 September 2012.

The basis of preparation of the pro forma consolidated financial information is further elaborated in Section 3 of this Appendix.

2. The Proposals**A. Restructuring scheme:**

The following have been implemented as of the date of this letter:

- (a) Sub-division of 14,238,508 ordinary shares of TIH of RM1.00 each into 142,385,080 ordinary shares of RM0.10 each.
- (b) The issuance of 466,000,000 new ordinary shares of RM0.10 each in TIH to the holding company, Tune Money Sdn Bhd ("TMSB") via capitalisation of the advances from holding company (TMSB) of RM46,600,000.
- (c) Exercise of AirAsia Berhad's option to purchase a 20% equity interest in TIH from TMSB for a consideration of RM16.0 million on 11 October 2012, pursuant to a call option agreement dated 20 April 2012.

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



**TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

2. The Proposals (cont'd.)

B. Listing scheme:

In conjunction with the listing and quotation for TIH's shares on the Main Market of Bursa Securities, the following will be implemented:

(a) Initial public offering and offer for sale of TIH's shares:

Initial public offering of up to 210,224,900 ordinary shares of RM0.10 each in TIH comprising a public issue of up to 143,374,900 new ordinary shares of RM0.10 each in TIH ("public issue shares") and an offer for sale of up to 66,850,000 existing ordinary shares of TIH of RM0.10 each ("offer shares"), involving:

- (i) The institutional offering of up to 102,028,100 public issue shares and up to 66,850,000 offer shares to Bumiputera investors approved by the Ministry of Finance, other Malaysian institutional and selected investors and foreign institutional and selected investors 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 Malaysian citizens, companies, co-operatives, societies and institutions, 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.

The above will be subject to clawback and reallocation provisions and over-allotment option as described in the Prospectus.

3. Basis of preparation

The pro forma consolidated financial information have been prepared for illustrative purposes only on the bases stated below, using the audited financial statements of the TIH Group and Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad) ("TIMB") for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 and for the nine-month financial period ended 30 September 2012. These financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, and presented in a manner consistent with both the format of the financial statements and the accounting policies adopted by the TIH Group:

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



**TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

3. Basis of preparation (cont'd.)

- (a) The pro forma consolidated statements of financial position as at 30 September 2012 are prepared to show the pro forma effects of each of the proposals described in Section 2 of this Appendix, with the exception of the exercise of AirAsia Berhad's option, which has been described in 2.A.(c). The exercise of AirAsia Berhad's option did not have any effect on the financial statements of the TIH Group.

The pro forma consolidated statements of financial position have been prepared on the assumption that the relevant proposals have been completed as of 30 September 2012.

- (b) For the purposes of the pro forma consolidated statements of comprehensive income and pro forma consolidated statements of cash flows for the years ended 31 December 2009, 31 December 2010 and 31 December 2011 and for the nine-month financial period ended 30 September 2012, the results and cash flows of the TIH Group includes those of TIMB, which was acquired on 23 May 2012. These pro forma consolidated statements of comprehensive income and pro forma consolidated statements of cash flows assume that the TIH Group (including TIMB) have been in existence throughout the relevant financial years/period.

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12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

4. Pro forma consolidated statements of financial position as at 30 September 2012

	Audited	<----- Pro forma ----->		
	30.09.2012	I	II	III
	RM'000	RM'000	RM'000	RM'000
		Note 5(a)	Note 5(b)	Note 5(c)
TIH Group:				
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
Available-for-sale reserves	(785)	(785)	(785)	(785)
Merger deficit	(13,838)	(13,838)	(13,838)	(13,838)
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 (TMSB)	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

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



**TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

5. Effects on pro forma consolidated statements of financial position

(a) Pro forma consolidated statement of financial position I (Pro forma I)

Sub-division of shares

Pro forma I incorporates the effects of the sub-division of ordinary shares of TIH ("sub-division of shares").

For this purpose, 14,238,508 ordinary shares of TIH of RM1.00 each is sub-divided into 142,385,080 ordinary shares of RM0.10 each and the effect on share capital is as follows:

Issued and paid-up share capital:

	Number of shares '000	Amount RM'000
Ordinary share capital of RM1.00 each, Pro forma II	14,238	14,238
Sub-division of shares	128,147	
Ordinary share capital of RM0.10 each, Pro forma III	<u>142,385</u>	<u>14,238</u>

The sub-division of shares under Pro forma I does not have any effect on the total net assets of the TIH Group. However, the net assets and net tangible assets per ordinary share is reduced from RM3.00 and RM0.91 per share to RM0.30 and RM0.09 per ordinary share respectively under Pro forma I.

(b) Pro forma consolidated statement of financial position II (Pro forma II)

Capitalisation of advances from holding company (TMSB)

Pro forma II incorporates Pro forma I and the effects arising from the issuance of 466,000,000 new ordinary shares of RM0.10 each in TIH to the holding company, TMSB via capitalisation of the advances from holding company (TMSB) of RM46,600,000.

The new ordinary shares issued to TMSB rank pari passu with existing ordinary shares as of the date of capitalisation of the advances from holding company (TMSB). The effects of the above on advances from holding company and share capital are as follows:

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



**TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

5. Effects on pro forma consolidated statements of financial position (cont'd.)

(b) Pro forma consolidated statement of financial position II (Pro forma II) (cont'd.)

Advances from holding company (TMSB):

	RM'000
Advances from holding company (TMSB), Pro forma I	46,600
Conversion to ordinary shares in TIH	<u>(46,600)</u>
Advances from holding company (TMSB), Pro forma II	<u>-</u>

Issued and paid-up share capital:

	Number of shares '000	RM'000
Share capital, Pro forma I	142,385	14,238
Issuance of new ordinary shares of RM0.10 each to TMSB	466,000	46,600
Share capital, Pro forma II	<u>608,385</u>	<u>60,838</u>

(c) Pro forma consolidated statement of financial position III (Pro forma III)

Initial public offering and offer for sale of TIH's shares

Pro forma III incorporates Pro forma I and Pro forma II and the effects arising from the initial public offering of TIH's shares and the utilisation of the estimated proceeds from the initial public offering.

In conjunction with the listing and quotation for TIH's shares on the Main Market of Bursa Securities, the following will be implemented:

Initial public offering of up to 210,224,900 ordinary shares of RM0.10 each in TIH comprising a public issue of up to 143,374,900 new ordinary shares of RM0.10 each in TIH ("public issue shares") and an offer for sale of up to 66,850,000 existing ordinary shares of TIH of RM0.10 each ("offer shares"), involving:

- (i) The institutional offering of up to 102,028,100 public issue shares and up to 66,850,000 offer shares to Bumiputera investors approved by the Ministry of Finance, other Malaysian institutional and selected investors and foreign institutional and selected investors at the institutional price to be determined by way of bookbuilding; and

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

5. Effects on pro forma consolidated statements of financial position (cont'd.)

(c) Pro forma consolidated statement of financial position III (Pro forma III) (cont'd.)

- (ii) The retail offering of up to 41,346,800 public issue shares to Malaysian citizens, companies, co-operatives, societies and institutions, 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.

The above will be subject to clawback and reallocation provisions and over-allotment option as described in the Prospectus.

For purposes of Pro forma III, the initial public offer price for both the institutional and retail offerings are assumed to be RM1.55 per share.

The expected utilisation of the estimated proceeds from the initial public offering are as follows:

	RM'000
Repayment of bank borrowings from licensed banks	133,000
Working capital	27,231
Future strategic acquisitions	50,000
Estimated listing expenses	12,000
	<u>222,231</u>

It is assumed that RM8,400,000 out of the total estimated listing expenses of RM12,000,000 will qualify for set-off against the share premium account arising from the listing of TIH's shares and the balance of RM3,600,000 of the estimated listing expenses will be expensed to profit and loss.

The effects of Pro forma III on cash and bank balances, share capital, share premium, retained earnings and borrowings of the TIH Group are as follows:

Cash and bank balances:

	RM'000	RM'000
Cash and bank balances, Pro forma I to II		19,565
Net cash inflow arising as a result of initial public offering:		
Cash received from listing of 143,374,900 new TIH shares at an issue price of RM1.55 per share	222,231	
Estimated listing expenses	(12,000)	
Repayment of borrowings from licensed banks	(130,925)	79,306
Cash and bank balances, Pro forma III		<u>98,871</u>

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

5. Effects on pro forma consolidated statements of financial position (cont'd.)

(c) Pro forma consolidated statement of financial position III (Pro forma III) (cont'd.)

Issued and paid-up share capital:

	Number of shares '000	Amount RM'000
Ordinary share capital, Pro forma II	608,385	60,838
Initial public offering of 143,374,900 new TIH shares of RM0.10 each	143,375	14,338
Ordinary share capital, Pro forma III	<u>751,760</u>	<u>75,176</u>

Share premium:

	Number of shares '000	Premium per share RM	Amount RM'000
Share premium, Pro forma I to II	-	-	-
Arising from:			
Initial public offering of 143,374,900 new TIH shares of RM0.10 each at an issue price of RM1.55 per share	143,375	1.45	207,893
Estimated listing expenses			(8,400)
Share premium, Pro forma III			<u>199,493</u>

Retained earnings:

	RM'000
Retained earnings, Pro forma I to II	43,151
Write-off of listing expenses	(3,600)
Retained earnings, Pro forma III	<u>39,551</u>

Borrowings:

	RM'000
Borrowings, Pro forma I to II	130,925
Repayment of bank borrowings from licensed banks	(130,925)
Borrowings, Pro forma III	<u>-</u>

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

6. Pro forma consolidated statements of comprehensive income for the financial years ended 31 December 2009, 2010 and 2011 and the nine-month financial period ended 30 September 2012

	←----- Pro forma ----->			
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	01.01.2009 to 31.12.2009 RM'000
TIH Group:				
Operating revenue	249,901	319,331	300,789	268,923
Gross earned premiums	235,870	301,263	287,669	256,329
Premiums ceded to reinsurers	(73,772)	(90,408)	(122,287)	(117,911)
Net earned premiums	162,098	210,855	165,382	138,418
Investment income	14,031	18,068	13,120	12,594
Realised gains and losses	8,040	6,060	3,144	4,739
Fees and commission income	10,999	13,551	15,747	19,329
Other operating income	383	156	373	123
Other revenue	33,453	37,835	32,384	36,785
Gross claims paid	(123,766)	(138,293)	(130,796)	(226,205)
Claims ceded to reinsurers	58,492	55,849	47,533	141,960
Gross changes to contract liabilities	(49,431)	11,002	47,693	121,222
Change in contract liabilities ceded to reinsurers	23,306	(38,444)	(58,084)	(125,844)
Net claims	(91,399)	(109,886)	(93,654)	(88,867)
Fee and commission expenses	(34,291)	(43,302)	(38,304)	(36,528)
Management expenses	(27,422)	(24,186)	(23,431)	(24,046)
Other operating expenses	(2,881)	(2,150)	(99)	-
Finance costs	(7,157)	-	-	-
Other expenses	(71,751)	(69,638)	(61,834)	(60,574)
Profit before taxation	32,401	69,166	42,278	25,762
Taxation	(4,664)	(8,738)	(5,685)	(2,751)
Net profit for the period/year	27,737	60,428	36,593	23,011
Other comprehensive income:				
<u>Available-for-sale fair value reserves:</u>				
Gain on fair value changes of AFS investments	5,270	6,616	7,233	14,548
Realised gain transferred to income statement	(8,034)	(6,032)	(3,089)	(4,716)
Deferred tax relating to components of other comprehensive income	691	(146)	(1,036)	(2,459)
Other comprehensive (loss)/income, net of taxation	(2,073)	438	3,108	7,373
Total comprehensive income for the period/year	25,664	60,866	39,701	30,384
Profit attributable to:				
Owners of the parent	21,097	49,113	29,607	18,597
Non-controlling interests	6,640	11,315	6,986	4,414
	27,737	60,428	36,593	23,011
Total comprehensive income attributable to:				
Owners of the parent	19,529	49,478	32,195	24,736
Non-controlling interests	6,135	11,388	7,506	5,648
	25,664	60,866	39,701	30,384

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)



TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

7. Pro forma consolidated statements of cash flows for the financial years ended 31 December 2009, 2010 and 2011 and for the nine-month financial period ended 30 September 2012

	<----- Pro forma ----->			
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	01.01.2009 to 31.12.2009 RM'000
TIH Group:				
Operating activities:				
Profit before taxation	32,401	69,166	42,278	25,762
Investment income	(14,033)	(18,093)	(13,293)	(12,647)
Realised gain on disposal of investments	(8,038)	(6,032)	(3,089)	(4,716)
Purchases of AFS financial assets	(45,055)	(52,225)	(55,018)	(85,224)
Proceeds from maturities/disposal of AFS financial assets	66,716	39,960	40,836	69,206
Proceeds from maturities/disposal of HTM financial assets	-	30,000	5,000	16,982
Increase in loans and receivables	(8,021)	(56,998)	(42,520)	5,101
Non-cash items				
Interest expense	7,157	-	-	-
Gain on disposal of property and equipment	(5)	(28)	(55)	(23)
Depreciation of property and equipment	583	505	515	909
Depreciation of investment property	16	22	21	22
Amortisation of intangible assets	53	148	101	115
Impairment loss of property and equipment	-	2,150	-	-
Net amortisation of premiums on investment	5	25	173	53
Reversal of impairment losses of insurance receivables	(2,308)	(3,759)	(511)	(403)
Allowance for staff retirement gratuities	-	85	202	180
Changes in working capital:				
Reinsurance assets	(27,321)	25,371	93,875	122,975
Insurance receivables	4,924	13,619	(8,147)	(28,517)
Other receivables	2,035	(3,297)	2,098	(2,195)
Deferred acquisition costs	(1,346)	-	-	-
Insurance contract liabilities	42,962	5,109	(71,862)	(102,642)
Insurance payables	(1,290)	507	10,412	(1,664)
Other payables	621	(6,781)	(1,252)	15,162
Retirement benefits	333	-	-	-
Cash generated from/(used in) operating activities	50,389	39,454	(236)	18,436
Net interest received	11,169	15,536	10,831	8,813
Net dividend received	1,172	1,858	908	1,011
Rental received	271	346	356	368
Retirement benefits paid	(277)	(297)	(774)	(1,287)
Income tax paid	(7,845)	(3,439)	(2,668)	10,621
Net cash flows generated from operating activities	54,879	53,458	8,417	37,962

12. PRO FORMA FINANCIAL INFORMATION (Cont'd)

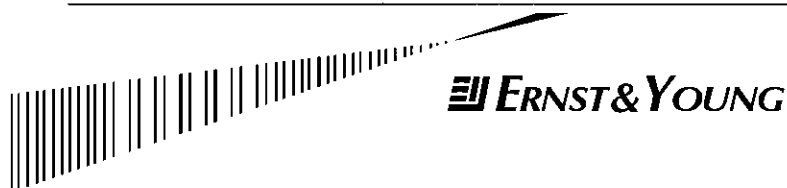


TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

7. Pro forma consolidated statements of cash flows for the financial years ended 31 December 2009, 2010 and 2011 and for the nine-month financial period ended 30 September 2012 (cont'd.)

	<----- Pro forma ----->			
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	01.01.2009 to 31.12.2009 RM'000
Investing activities				
Proceeds from disposal of property and equipment	5	29	55	23
Purchase of property and equipment	(365)	(489)	(231)	(206)
Purchase of subsidiaries	(163,632)	-	-	-
Purchase of intangibles	-	(186)	-	(51)
Net cash flows used in investing activities	(163,992)	(646)	(176)	(234)
Financing activities				
Net borrowings	132,964	-	-	-
Interest paid	(2,065)	-	-	-
Amount owing to ultimate holding company	30,398	17,218	-	-
Issuance of share capital	-	-	-	500
Dividends paid to equity holders of the parent	-	(20,400)	(16,929)	(5,120)
Dividends paid to non-controlling interests	(3,000)	(8,100)	(4,232)	(1,280)
Net cash flows generated from/(used in) financing activities	158,297	(11,282)	(21,161)	(5,900)
Net increase/(decrease) in cash and cash equivalents	49,184	41,530	(12,920)	31,828
Cash and cash equivalents at beginning of period/year	118,413	76,883	89,803	57,975
Cash and cash equivalents at end of period/year	167,597	118,413	76,883	89,803
Cash and cash equivalents comprise:				
Fixed and call deposits (with maturity of less than three months)	148,032	104,706	73,285	81,219
Cash and bank balances	19,565	13,707	3,598	8,584
	167,597	118,413	76,883	89,803

13. ACCOUNTANTS' REPORT



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**Accountants' report
(Prepared for inclusion in the Prospectus to be dated 23 January 2013)**

8 January 2013

The Board of Directors
Tune Ins Holdings Berhad
(Formerly known as Tune Ins Holdings Sdn. Bhd.)
Bangunan Tune Insurance
No. 38, Jalan Ampang
50450 Kuala Lumpur

Dear Sirs,

**TUNE INS HOLDINGS BERHAD
(FORMERLY KNOWN AS TUNE INS HOLDINGS SDN. BHD.)
ACCOUNTANTS' REPORT**

1. PURPOSE OF REPORT

This report has been prepared by Ernst & Young, for inclusion in the Prospectus in connection with the listing of Tune Ins Holdings Berhad (formerly known as Tune Ins Holdings Sdn. Bhd.) ("TIH" or "the Company") on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in Note 2.3 in this report.

2. DETAILS OF THE PROPOSALS

2.1 THE COMPANY

The Company was incorporated as a private limited liability company on 14 June 2011. On 17 August 2012, the Company converted its status from a private company to a public company. Accordingly, the name of the Company was changed from Tune Ins Holdings Sdn. Bhd. to Tune Ins Holdings Berhad.

The registered office of the Company is located at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Bangunan Tune Insurance, No. 38, Jalan Ampang, 50450 Kuala Lumpur.

13. ACCOUNTANTS' REPORT (Cont'd)



2. DETAILS OF THE PROPOSALS (CONT'D.)

2.1 THE COMPANY (CONT'D.)

The Company is an investment holding company. The principal activities of the subsidiaries are described in Note 1.1 of Section I - TIH Group.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries, other than:

- (a) Acquisition of Tune Money GenRe Ltd. ("TMGR") from Tune Money Sdn Bhd ("TMSB"), the holding company of the Company on 1 August 2011;
- (b) Acquisition of Tune Money Life Re Ltd. ("TMLR") from TMSB on 1 August 2011;
- (c) Acquisition of Tune Insurance (Labuan) Ltd. ("TIL") from TMSB on 19 September 2011; and
- (d) Acquisition of Tune Insurance Malaysia Berhad ("TIMB") (formerly known as Oriental Capital Assurance Berhad ("OCA")) and its subsidiary ("TIMB Group"), Capital OCA Berhad, on 23 May 2012.

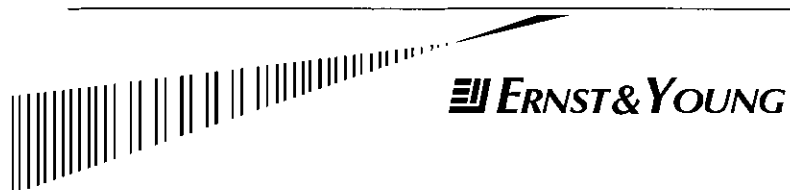
as disclosed in Note 1 of Section I - TIH Group.

2.2 RESTRUCTURING SCHEME

The following transactions have been implemented subsequent to 30 September 2012:

- (a) Sub-division of 14,238,508 ordinary shares of TIH of RM1.00 each into 142,385,080 ordinary shares of RM0.10 each.
- (b) The issuance of 466,000,000 new ordinary shares of RM0.10 each in TIH to the holding company, TMSB via capitalisation of the advances from holding company (TMSB) of RM46,600,000.
- (c) Exercise of AirAsia Berhad's option to purchase a 20% equity interest in TIH from TMSB for a consideration of RM16.0 million on 11 October 2012, pursuant to a Call Option Agreement dated 20 April 2012.

13. ACCOUNTANTS' REPORT (Cont'd)



2.3 LISTING SCHEME

In conjunction with the listing and quotation for TIH's shares on the Main Market of Bursa Securities, the following will be implemented:

(a) Initial public offering and offer for sale of TIH's shares

Initial public offering of up to 210,224,900 ordinary shares of RM0.10 each in TIH comprising a public issue of up to 143,374,900 new ordinary shares of RM0.10 each in TIH ("public issue shares") and an offer for sale of up to 66,850,000 existing ordinary shares of TIH of RM0.10 each ("offer shares"), involving:

- (i) The institutional offering of up to 102,028,100 public issue shares and up to 66,850,000 offer shares to Bumiputera investors approved by the Ministry of Finance, other Malaysian institutional and selected investors and foreign institutional and selected investors 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 Malaysian citizens, companies, co-operatives, societies and institutions, 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.

The above will be subject to clawback and reallocation provisions and over-allotment option as described in the Prospectus.

3. CONTENT OF THIS REPORT

This Accountants' Report is divided into the following sections:

- Section I : TIH and its subsidiaries ("TIH Group")
- Section II : TIMB and its subsidiary ("TIMB Group")
- Section III : TIH Group's significant accounting policies

The consolidated financial information presented in this report are for the financial years/period ended 31 December 2009, 2010 and 2011 and for the nine-month financial period ended 30 September 2012 of the TIH Group and TIMB Group.

TIMB Group was acquired by TIH on 23 May 2012 and therefore has only been consolidated and reported as part of the TIH Group for the financial period ended 30 September 2012 from the date of acquisition.

13. ACCOUNTANTS' REPORT *(Cont'd)*



SECTION I
TIH GROUP

13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****1. GROUP STRUCTURE**

The structure of TIH Group as at 30 September 2012 is as follows:

1.1 SUBSIDIARIES

The subsidiaries of TIH, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Date of incorporation	Date of acquisition	Principal activities	Proportion of ownership interest (%)	
				30.09.2012	31.12.2011 31.12.2010 31.12.2009
1. TMGR	10.02.2011	01.08.2011	Operating a general reinsurance business	100.00	100.00 - -
2. TMLR	06.04.2011	01.08.2011	Operating a life reinsurance business	100.00	100.00 - -
3. TIL	27.03.2009	19.09.2011	Operating an offshore captive insurance business	80.00	80.00 - -
4. TIMB	27.12.1976	23.05.2012	Underwriting of all classes of general insurance business	83.26	- - -
5. Capital OCA Berhad (Held via TIMB)	10.02.1971	23.05.2012	Dormant	83.26	- - -

13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****1. GROUP STRUCTURE (CONT'D.)****1.1 SUBSIDIARIES (CONTO.)****Acquisition of subsidiaries (cont'd.)****(i) Acquisition of TMGR, TMLR and TIL:****(a) TMGR and TMLR:**

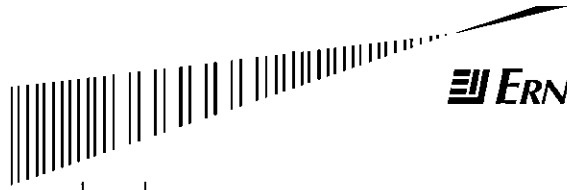
On 1 August 2011, TIH acquired the following:

- (1) 100% of the issued and paid-up share capital of TMGR from its holding company, TMSB, comprising 1 ordinary share of USD1 each for a cash consideration of USD1.
- (2) 100% of the issued and paid-up share capital of TMLR from TMSB, comprising 1 ordinary share of USD1 each for a cash consideration of USD1.

(b) TIL:

On 19 September 2011, the TIH acquired 80% of the issued and paid-up share capital of TIL from TMSB, comprising 114,400 ordinary shares of USD1 each for a purchase consideration of RM14,238,506, being the net assets (excluding non-controlling interest) as of that date. The purchase consideration was satisfied by way of issuance of 14,238,000 ordinary shares of RM1 each in the Company at par to the holding company, TMSB.

The acquisitions of the 100% equity interest in TMGR and TMLR on 1 August 2011 and the 80% equity interest in TIL on 19 September 2011 arose from a common control transfer and have been accounted for in the consolidated financial statements using merger method of accounting, as if the group structure had been in existence throughout 2009, 2010, 2011 and 2012, or since their respective dates of incorporation, whichever is the shorter period.



13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****1. GROUP STRUCTURE (CONT'D.)****1.1 SUBSIDIARIES (CONT'D.)****Acquisition of subsidiaries (cont'd.)****(i) Acquisition of TMGR, TMLR and TIL (cont'd.):**

This manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant periods, as a single economic entity, although certain legal parent-subsidiary relationships were not in place until after the respective reporting dates.

Accordingly, the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or deficit.

(ii) Acquisition of TIMB and its subsidiary, Capital OCA Berhad:

On 23 April 2012, TIH signed a Share Sale Agreements with Maika Holdings Berhad, G Team Resources & Holding Sdn. Bhd. and Gryss Holdings Sdn. Bhd to acquire their 77.92% and 1.92% equity holdings respectively in TIMB.

Pursuant to the Share Sale Agreements and in accordance with the Malaysian Code on Take-Overs and Mergers, TIH made a mandatory general offer ("general offer") to the remaining shareholders of TIMB to acquire their respective individual shareholdings thereon.

Certain individual shareholders had accepted the general offer, which ended on 9 July 2012. As a result of this exercise, the Company has acquired an additional 3.42% in TIMB, resulting in an equity holding of 83.26% in TIMB as at 30 September 2012. The total purchase consideration for the said 83.26% stake in TIMB amounted to RM163,632,000.

The details of the acquisition of the above subsidiaries and the effect of the said transactions on the financial statements of the TIH Group are shown in Note 4.5.4 of Section I - TIH Group.

13. ACCOUNTANTS' REPORT (Cont'd)

- I TIH GROUP
- 1. GROUP STRUCTURE (CONT'D.)
- 1.2 ASSOCIATES

The TIH Group did not have any associates as at 31 December 2009, 2010 and 2011 and 30 September 2012.

2. FINANCIAL STATEMENTS AND AUDITORS

Messrs. Horwath TH Liew Tong (AAL: 0029) audited the financial statements of TIH for the financial period/years ended ("FYE") 31 December 2009, 2010 and 2011 and TMGR and TMLR for the financial period ended 31 December 2011. Messrs. Crowe Horwath (AF: 1018) audited the financial statements of TIH for the financial period ended 31 December 2011. The financial statements of TIH for the FYE 31 December 2009, 2010 and 2011 and TMGR, TMLR and TIH for the FYE 31 December 2011 were prepared in accordance with Financial Reporting Standard ("FRS") in Malaysia. The independent auditors' reports issued in respect of the above financial statements were not subject to any qualification.

For the purposes of the submission of the proposed listing scheme of TIH to the Securities Commission Malaysia, Ernst & Young (AF : 0039) have been appointed to conduct a special purpose audit on the financial statements of TIH Group for the FYE 31 December 2009, 2010 and 2011 and for the nine-month period ended 30 September 2012 in accordance with Approved Standards on Auditing in Malaysia. The financial information presented in this report were derived from the audited financial statements of TIH Group, as audited by us for FYE 31 December 2009, 2010 and 2011 and for the nine-month period ended 30 September 2012 and have been prepared using the Malaysian Financial Reporting Standards ("MFRS"). Our audit opinions in respect of the said financial years/period were not subject to any qualification.

The nine-month comparatives for the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended 30 September 2011 which have been included in the audited financial statements for the nine-month period ended 30 September 2012 in accordance with MFRS 134: Interim Financial Reporting have not been audited by us or any other independent auditors.

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

1. GROUP STRUCTURE (CONT'D.)

3. BASIS OF PREPARATION

The financial information of the TIH Group as set out in the following sections are extracted from the financial statements for the relevant financial years/period covered in this report. These financial statements have been audited by Ernst & Young Malaysia for the purposes of the proposed listing of TIH on the Main Market of Bursa Malaysia Securities Berhad ("proposed listing").

The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

The presentation currency of TIH Group is Ringgit Malaysia ("RM").

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP

4.1 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The consolidated statements of financial position of TIH Group based on its audited financial statements for the financial period/years ended 31 December 2009, 2010 and 2011 and the nine-month period ended 30 September 2012, are as follows:

Group	Note	<----- Audited ----->			
		30.09.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Assets					
Property and equipment	4.5.1	10,052	3	4	-
Investment property	4.5.2	2,401	-	-	-
Intangible assets	4.5.3	143	-	-	-
Investment in subsidiaries	4.5.4	-	-	-	-
Goodwill	4.5.5	29,818	-	-	-
Investments	4.5.6	482,318	24,715	-	-
Reinsurance assets	4.5.7	184,259	223	228	154
Insurance receivables	4.5.8	49,056	16,771	26,806	17,503
Other receivables	4.5.9	34,846	63	-	-
Cash and bank balances		19,565	8,555	456	677
Total assets		812,458	50,330	27,494	18,334
Equity					
Share capital	4.5.10	14,238	14,238	-	-
Merger (deficit)/reserve	4.5.11	(13,838)	(13,838)	400	400
Available-for-sale reserves		(785)	-	-	-
Retained earnings		43,151	19,698	12,843	8,650
Equity attributable to owners of the parent		42,766	20,098	13,243	9,050
Non-controlling interests		30,291	1,631	3,311	2,263
Total equity		73,057	21,729	16,554	11,313
Liabilities					
Insurance contract liabilities	4.5.12	486,009	10,481	9,465	6,552
Deferred tax liabilities	4.5.13	608	-	-	-
Provision for taxation		-	20	20	20
Borrowings	4.5.14	130,925	-	-	-
Insurance payables	4.5.15	47,977	156	1,397	358
Retirement benefits	4.5.16	1,392	-	-	-
Other payables	4.5.17	72,490	17,944	58	91
Total liabilities		739,401	28,601	10,940	7,021
Total equity and liabilities		812,458	50,330	27,494	18,334

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The consolidated statements of comprehensive income of TIH Group based on its audited financial statements for the financial period/years ended 31 December 2009, 2010 and 2011 and the nine-month period ended 30 September 2012, and unaudited statement of comprehensive income for the nine-month period ended 30 September 2011, are as follows:

Group	Note	Audited	Unaudited	<----- Audited ----->		
		01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Operating revenue	4.5.18	136,155	40,149	55,870	43,523	30,049
Gross earned premiums	4.5.19(a)	129,032	40,149	55,493	43,523	30,049
Premiums ceded to reinsurers	4.5.19(b)	(25,586)	(759)	(1,063)	(803)	(524)
Net earned premiums		103,446	39,390	54,430	42,720	29,525
Investment income	4.5.20	7,123	-	377	-	-
Realised gains and losses	4.5.21	3,838	-	-	-	-
Fees and commission income		3,632	-	-	-	-
Other operating income	4.5.22	103	-	26	-	-
Other revenue		14,696	-	403	-	-
Gross claims paid	4.5.23(a)	(81,730)	(623)	(1,123)	(1,222)	(127)
Claims ceded to reinsurers	4.5.23(b)	48,567	-	-	-	-
Gross change to contract liabilities	4.5.23(c)	(22,416)	(103)	(819)	(302)	(925)
Change in contract liabilities ceded to reinsurers	4.5.23(d)	20,203	-	-	-	-
Net claims		(35,376)	(726)	(1,942)	(1,524)	(1,052)
Fees and commission expense		(23,546)	(12,794)	(17,292)	(14,473)	(11,062)
Management expenses	4.5.24	(16,699)	(135)	(1,404)	(202)	(178)
Other operating expenses	4.5.22	(2,881)	-	-	(99)	-
Finance costs	4.5.25	(7,157)	-	-	-	-
Other expenses		(50,283)	(12,929)	(18,696)	(14,774)	(11,240)

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONT'D.)

Group	Note	Audited	Unaudited	<----- Audited ----->		
		01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Profit before taxation		32,483	25,735	34,195	26,422	17,233
Taxation	4.5.26	(4,616)	(20)	(20)	(20)	(20)
Net profit for the period/year		27,867	25,715	34,175	26,402	17,213
Other comprehensive income:						
Movements in available-for-sale fair value reserves:						
Gain on fair value changes of AFS investments		2,577	-	-	-	-
Realised gain transferred to profit or loss		(3,834)	-	-	-	-
Deferred tax relating to components of other comprehensive income		314	-	-	-	-
Net other comprehensive income for the period		(943)	-	-	-	-
Total comprehensive income for the period/year		26,924	25,715	34,175	26,402	17,213
Profit attributable to:						
Owners of the parent		23,453	20,572	27,255	21,122	13,770
Non-controlling interests		4,414	5,143	6,920	5,280	3,443
		27,867	25,715	34,175	26,402	17,213
Other comprehensive income attributable to:						
Owners of the parent		(785)	-	-	-	-
Non-controlling interests		(158)	-	-	-	-
		(943)	-	-	-	-
Total comprehensive income attributable to:						
Owners of the parent		22,668	20,572	27,255	21,122	13,770
Non-controlling interests		4,256	5,143	6,920	5,280	3,443
		26,924	25,715	34,175	26,402	17,213
Earnings per share attributable to owners of the parent (RM per share)						
Basic	4.5.27	1.6	35.9	6.8	n/a	n/a

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The consolidated statements of changes in equity of TIH Group based on its audited financial statements for the financial period/years ended 31 December 2009, 2010 and 2011 and the nine-month period ended 30 September 2012, and unaudited statement of changes in equity for the nine-month period ended 30 September 2011, are as follows:

<- Attributable to the owners of the parent ->

Group	Share capital RM'000 (Note 4.5.10 of Section I - TIH Group)	Non distributable		Retained earnings RM'000	Dis- tributable	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
		Merger reserve/ (deficit) RM'000	Available- for-sale reserves RM'000					
Financial period/year:								
At date of incorporation on 27 March 2009	-	-	-	-	-	-	-	-
Issuance of shares during the period	-	400	-	-	-	400	100	500
Total comprehensive income for the period	-	-	-	13,770	-	13,770	3,443	17,213
Dividends (Note 4.5.28 of Section I - TIH Group)	-	-	-	(5,120)	-	(5,120)	(1,280)	(6,400)
At 31 December 2009	-	400	-	8,650	-	9,050	2,263	11,313
Total comprehensive income for the year	-	-	-	21,122	-	21,122	5,280	26,402
Dividends (Note 4.5.28 of Section I - TIH Group)	-	-	-	(16,929)	-	(16,929)	(4,232)	(21,161)
At 31 December 2010	-	400	-	12,843	-	13,243	3,311	16,554
Issuance of shares during the year	14,238	(14,238)	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	27,255	-	27,255	6,920	34,175
Dividends (Note 4.5.28 of Section I - TIH Group)	-	-	-	(20,400)	-	(20,400)	(8,600)	(29,000)
At 31 December 2011	14,238	(13,838)	-	19,698	-	20,098	1,631	21,729

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D.)

<- Attributable to the owners of the parent ->

Group	Non distributable			Dis-tributable		Total equity RM'000
	Share capital RM'000 (Note 4.5.10 of Section I - TIH Group)	Merger reserve/ (deficit) RM'000 (Note 4.5.11 of Section I - TIH Group)	Available-for-sale reserves RM'000	Retained earnings RM'000	Non-controlling interests RM'000	
For the nine-month financial period:						
Unaudited:						
At 1 January 2011	-	400	-	12,843	3,311	16,554
Issuance of shares during the period (Note 4.5.10 of Section I - TIH Group)	14,238	(14,238)	-	-	-	-
Total comprehensive income for the period	-	-	-	20,572	5,143	25,715
Dividends (Note 4.5.28 of Section I - TIH Group)	-	-	-	(20,400)	(5,100)	(25,500)
At 30 September 2011	<u>14,238</u>	<u>(13,838)</u>	-	<u>13,015</u>	<u>3,354</u>	<u>16,769</u>
Audited:						
At 1 January 2012	14,238	(13,838)	-	19,698	1,631	21,729
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	-	-	-	-	26,904	26,904
Total comprehensive income for the period	-	-	(785)	23,453	4,256	26,924
Dividends (Note 4.5.28 of Section I - TIH Group)	-	-	-	-	(2,500)	(2,500)
At 30 September 2012	<u>14,238</u>	<u>(13,838)</u>	<u>(785)</u>	<u>43,151</u>	<u>30,291</u>	<u>73,057</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.4 CONSOLIDATED STATEMENTS OF CASH FLOWS

The consolidated statements of cash flows of TIH Group based on its audited financial statements for the financial period/years ended 31 December 2009, 2010 and 2011 and the nine-month period ended 30 September 2012, and unaudited statement of cash flows for the nine-month period ended 30 September 2011, are as follows:

Group	Audited	Unaudited	<----- Audited ----->		
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Cash flows from operating activities					
Profit before taxation	32,483	25,735	34,195	26,422	17,233
Adjustments for:					
Investment income	(7,123)	-	(377)	-	-
Realised gain on disposal of investments	(3,838)	-	-	-	-
Purchases of AFS financial assets	(6,894)	-	-	-	-
Proceeds from maturities/ disposal of AFS financial assets	21,499	-	-	-	-
Increase in LAR	22,862	-	-	-	-
Interest expenses	7,157	-	-	-	-
Gain on disposal of property and equipment	(4)	-	-	-	-
Depreciation of property and equipment	255	-	1	-	-
Depreciation of investment property	7	-	-	-	-
Amortisation of intangible assets	28	-	-	-	-
Net amortisation of premiums on investment	3	-	-	-	-
Reversal of allowance for impairment losses of insurance receivables	(794)	-	-	-	-
Operating profit before working capital changes:	65,641	25,735	33,819	26,422	17,233
Reinsurance assets	(21,344)	(19)	4	(74)	(154)
Insurance receivables	18,892	5,147	10,035	(9,303)	(17,503)
Other receivables	(3,053)	(755)	(62)	-	-
Insurance contract liabilities	15,431	878	1,016	2,913	6,552
Insurance payables	(14,727)	(620)	(1,241)	1,040	357
Retirement benefits	333	-	-	-	-
Other payables	(8,181)	40	168	(34)	92
Cash generated from operating activities	52,992	30,406	43,739	20,964	6,577

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D.)

Group	Audited	Unaudited	<----- Audited ----->		
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Net interest received	7,016	-	377	-	-
Net dividend received	519	-	-	-	-
Rental received	119	-	-	-	-
Retirement benefits paid	(78)	-	-	-	-
Income tax paid	(5,827)	(20)	(20)	(20)	-
Net cash generated from operating activities	54,741	30,386	44,096	20,944	6,577
Investing activities					
Proceeds from disposal of property and equipment	4	-	-	-	-
Purchase of property and equipment	(226)	-	-	(4)	-
Acquisition of a subsidiary	(78,489)	-	-	-	-
Net cash used in investing activities	(78,711)	-	-	(4)	-
Financing activities					
Proceeds from borrowings	132,964	-	-	-	-
Interest paid	(2,065)	-	-	-	-
Advances from holding company	30,398	-	17,218	-	-
Advances from subsidiaries	-	-	-	-	500
Dividends paid to equity holders of the parent	-	(20,400)	(20,400)	(16,929)	(5,120)
Dividends paid to non-controlling interest	(3,000)	(5,100)	(8,100)	(4,232)	(1,280)
Net cash generated from/ (used in) financing activities	158,297	(25,500)	(11,282)	(21,161)	(5,900)
Net increase/(decrease) in cash and cash equivalents	134,327	4,886	32,814	(221)	677
Cash and cash equivalents at beginning of periods/ years/at the date of incorporation	33,270	456	456	677	-
Cash and cash equivalents at end of periods/years	167,597	5,342	33,270	456	677

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D.)

Group	Audited	Unaudited	<----- Audited ----->		
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Cash and cash equivalents comprise:					
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions	148,032	-	24,715	-	-
Cash and bank balances	19,565	5,342	8,555	456	677
	<u>167,597</u>	<u>5,342</u>	<u>33,270</u>	<u>456</u>	<u>677</u>

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS

4.5.1 Property and equipment

Group	Freehold land		Buildings on freehold land		Renovation RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
	RM'000	RM'000	RM'000	RM'000				
Cost								
At 1 January 2010	-	-	-	-	-	-	4	4
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-	4	4
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-	4	4
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	7,113	2,300	195	53	195	53	417	10,078
Additions	-	-	107	-	107	-	119	226
Disposals	-	-	-	-	-	-	(925)	(925)
At 30 September 2012	7,113	2,300	302	53	302	53	(385)	9,383

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.1 Property and equipment (cont'd.)

Group	<----- Properties ----->					Total RM'000
	Freehold land RM'000	Buildings on freehold land RM'000	Renovation RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	
Accumulated depreciation and impairment loss						
At 1 January 2010	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-
Charge for the year	-	-	-	-	1	1
Disposals	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	1	1
Charge for the period	-	28	24	9	194	255
Disposals	-	-	-	-	(925)	(925)
At 30 September 2012	-	28	24	9	(730)	(669)
Net carrying amount						
At 31 December 2010	-	-	-	-	4	4
At 31 December 2011	-	-	-	-	3	3
At 30 September 2012	7,113	2,272	278	44	345	10,052

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.2 Investment property

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Freehold land and building:				
Cost				
At 1 January	-	-	-	-
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	2,408	-	-	-
Less: Accumulated depreciation	(7)	-	-	-
At 30 September / 31 December	<u>2,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fair value	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The fair value is determined based on the discounted cash flow of the expected rental income from the investment property, which has been estimated using a valuation technique based on certain assumptions of rental income and discount rate. Management believes the estimated fair values resulting from the valuation technique are reasonable and the most appropriate at the reporting date.

4.5.3 Intangible assets

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Computer software				
Cost				
At 1 January	-	-	-	-
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	128	-	-	-
Additions	43	-	-	-
At 30 September / 31 December	<u>171</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated amortisation				
At 1 January	-	-	-	-
Amortisation	28	-	-	-
At 30 September / 31 December	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net carrying amount	<u>143</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

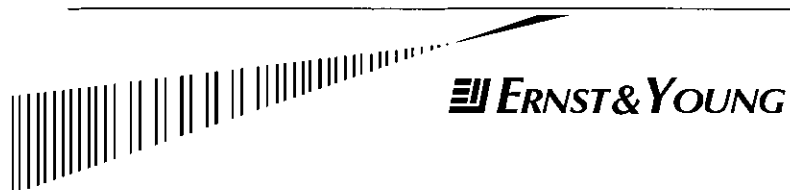
4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.4 Investment in subsidiaries

The subsidiaries of TIH, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Date of incorporation	Date of acquisition	Principal activities	Proportion of ownership interest (%)		
				30.09.2012	31.12.2011	31.12.2010 31.12.2009
1. TMGR	10.02.2011	01.08.2011	Operating a general reinsurance business	100.00	100.00	-
2. TMLR	06.04.2011	01.08.2011	Operating a life reinsurance business	100.00	100.00	-
3. TIL	27.03.2009	19.09.2011	Operating an offshore captive insurance business	80.00	80.00	-
4. TIMB	27.12.1976	23.05.2012	Operating a general insurance business	83.26	-	-
5. Capital OCA Berhad (Held via TIMB)	10.02.1971	23.05.2012	Dormant	83.26	-	-

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.4 Investment in subsidiaries (cont'd.)

Acquisition of subsidiaries(i) **TMGR, TMLR and TIL**TMGR and TMLR:

On 1 August 2011, TIH acquired the following:

- (a) 100% of the issued and paid-up share capital of TMGR from its holding company, TMSB, comprising 1 ordinary share of USD1 each for a cash consideration of USD1.
- (b) 100% of the issued and paid-up share capital of TMLR from TMSB, comprising 1 ordinary share of USD1 each for a cash consideration of USD1.

TIL:

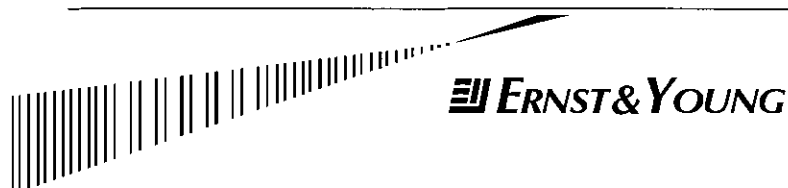
On 19 September 2011, TIH acquired 80% of the issued and paid-up share capital of TIL from TMSB, comprising 114,400 ordinary shares of USD1 each for a purchase consideration of RM14,238,506, being the net assets (excluding non-controlling interest) as of that date. The purchase consideration was satisfied by way of issuance of 14,238,506 ordinary shares of RM1 each in TIH at par to the holding company, TMSB.

The acquisition of the 100% equity interest in TMGR and TMLR on 1 August 2011 and the 80% equity interest in in TIL on 19 September 2011 arise from a common control transfer and have been accounted for in the consolidated financial statements under the principle of merger method of accounting.

Details of net assets of TIL acquired are as follows:

	Recognised acquisition values RM'000
Assets	
Equipment	4
Due from cedant	13,648
Cash and bank balances	5,342
Total assets	<u>18,994</u>
Liabilities	
Insurance contract liabilities	208
Provision for taxation	20
Insurance payables	870
Other payables	98
Total liabilities	<u>1,196</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.4 Investment in subsidiaries (cont'd.)

Acquisition of subsidiaries (cont'd.)

(i) TMGR, TMLR and TIL (cont'd.)

	Recognised acquisition values RM'000
Net identifiable assets	17,798
Non-controlling interest	(3,560)
Total purchase consideration	<u>14,238</u>

Basis of consolidation of TMGR, TMLR and TIL

The acquisitions of the 100% equity interest in TMGR and TMLR on 1 August 2011 and the 80% equity interest in TIL on 19 September 2011 arose from a common control transfer and have been accounted for in the consolidated financial statements using merger method of accounting, as if the group structure had been in existence throughout 2009, 2010 and 2011, or since their respective dates of incorporation, whichever is the shorter period.

This manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant periods, as a single economic entity, although certain legal parent-subsidary relationships were not incorporated until after the respective reporting dates.

Accordingly, the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or deficit.

The merger (deficit)/reserve arising as a result of the above are as follows:

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Purchase consideration	(14,238)	(14,238)	-	-
Less: Carrying value of ordinary shares in TMGR, TMLR and TIL acquired	400	400	400	400
Merger (deficit)/reserve (Note 4.5.11 of Section I -TIH Group)	<u>(13,838)</u>	<u>(13,838)</u>	<u>400</u>	<u>400</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.4 Investment in subsidiaries (cont'd.)

Acquisition of subsidiaries (cont'd.)

(ii) Acquisition of TIMB and its subsidiary, Capital OCA Berhad

On 23 April 2012, TIH signed a Share Sale Agreements with Maika Holdings Berhad, G Team Resources & Holding Sdn. Bhd. and Gryss Holdings Sdn. Bhd to acquire its 77.92% and 1.92% equity holdings respectively in TIMB.

Pursuant to the Share Sale Agreements and in accordance with the Malaysian Code on Take-Overs and Mergers, TIH made a mandatory general offer ("general offer") to the remaining shareholders of TIMB to acquire their respective individual shareholdings thereon.

Certain individual shareholders had accepted the general offer, which ended on 9 July 2012. As a result of this exercise, TIH has acquired an additional 3.42% in TIMB, resulting in an equity holding of 83.26% in TIMB as at 30 September 2012. The total purchase consideration for the said 83.26% stake in TIMB amounted to RM163,632,000.

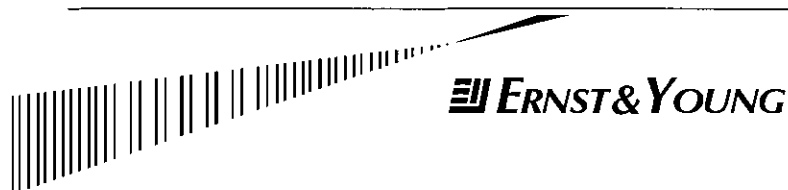
(a) Details of the acquisition of TIMB and the net assets acquired as of 23 May 2012 are as follows:

	RM'000
Purchase consideration:	
- Cash paid	163,632
- Share of net assets of subsidiary acquired	<u>(133,814)</u>
Goodwill	<u>29,818</u>

Details of net assets of subsidiary acquired are as follows:

	Recognised acquisition values RM'000
Assets	
Property and equipment	10,078
Investment property	2,408
Intangible assets	128
Investments	446,106
Reinsurance assets	163,943
Insurance receivables	52,287
Other receivables	27,253
Cash and bank balances	<u>5,838</u>
Total assets	<u>708,041</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.4 Investment in subsidiaries (cont'd.)

Acquisition of subsidiaries (cont'd.)

(ii) Acquisition of TIMB and its subsidiary, Capital OCA Berhad (cont'd.)

- (a) Details of the acquisition of TIMB and the net assets acquired as of 23 May 2012 are as follows (cont'd.):

	Recognised acquisition values RM'000
Liabilities	
Insurance contract liabilities	461,348
Deferred tax liabilities	939
Insurance payables	64,490
Other payables	19,409
Retirement benefits	1,137
Total liabilities	<u>547,323</u>
Net identifiable assets	160,718
Non-controlling interest	<u>(26,904)</u>
Share of net assets acquired	<u>133,814</u>

- (b) The effect of the acquisition on cash flows is as follows:

	RM'000
Details of cash flows arising from the acquisition are as follows:	
Purchase consideration settled in cash	163,632
Less: Cash and cash equivalents of subsidiary acquired:	
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions	(79,305)
Cash and bank balances	<u>(5,838)</u>
Net cash outflow of TIH on acquisition of subsidiary	<u>78,489</u>

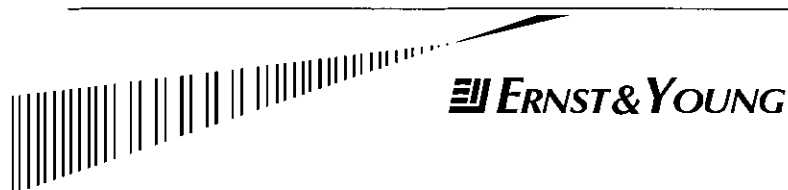
- (c) Provisional accounting for the acquisition of TIMB Group

As at 30 September 2012, TIH has accounted for the acquisition of TIMB Group on a provisional basis as the purchase price allocation ("PPA") exercise and allocation of goodwill to specific cash generating units ("CGU") are not yet completed.

TIH anticipates to be able to complete the PPA and allocation of goodwill exercises not exceeding one year from the acquisition date.

Upon the completion of these exercise, the carrying amount of the residual goodwill will be adjusted accordingly on a retrospective basis.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.4 Investment in subsidiaries (cont'd.)

(iii) Subscription of additional shares in TMGR and TMLR

On 12 September 2012, TIH subscribed for additional shares in TMGR and TMLR, as follows:

- TIH's investment in TMGR was increased by USD3,207,287 (RM10.0 million), via the issuance of 3,207,287 new ordinary shares of USD1.00 each in TMGR at an issue price of USD1.00 per share; and
- TIH's investment in TMLR was increased by USD3,207,287 (RM10.0 million), via the issuance of 3,207,287 new ordinary shares of USD1.00 each in TMLR at an issue price of USD1.00 per share.

Cessation and commencement of business by the subsidiaries

The Board of Directors of TIL had, on 4 July 2012 resolved that TIL will cease to underwrite new reinsurance contracts and have put the insurance business of TIL into run-off, effective from March 2012.

TMLR and TMGR commenced their principal activities as a life reinsurer and a general reinsurer respectively in July 2011 and December 2011.

4.5.5 Goodwill

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	29,818	-	-	-
At 30 September / 31 December	<u>29,818</u>	<u>-</u>	<u>-</u>	<u>-</u>

The goodwill above arose from the acquisition of TIMB on 23 May 2012.

Goodwill is allocated to the TIH Group's Cash Generating Unit ("CGU") which is expected to benefit from the synergies of the acquisition. The recoverable amount of the CGU is assessed based on its value-in-use and compared to the carrying value of the CGU to determine whether any impairment exists. Impairment is recognised in profit or loss if the carrying amount of the CGU exceeds its recoverable amount.

The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a five-year period.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.5 Goodwill (cont'd.)

The key assumptions for the computation of value-in-use are as follows:

- (i) The growth in business volume is expected to be at 10% per annum;
- (ii) The discount rate applied is the internal weighted average cost of capital of TIMB at the time of the assessment, which is estimated to be 10.2% per annum (pre-tax discount rate of 13.6% per annum); and
- (iii) Terminal value cash flow growth rate of 5%, which is consistent with the Gross Domestic Product rate.

The allocation of goodwill exercise for TIMB Group is provisional in nature, as at 30 September 2012, as disclosed in Note 4.5.4(ii)(c) of Section I - TIH Group.

Management believes that reasonably possible changes in any of the above key assumptions would not cause the carrying value of the CGU to exceed its recoverable amount. Accordingly, there is no evidence of impairment of goodwill as at the financial period-end.

4.5.6 Investments

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Debt securities	132,873	-	-	-
Equity securities	10,178	-	-	-
Unit and property trust funds	18,421	-	-	-
Loans	792	-	-	-
Deposits with financial institutions	320,054	24,715	-	-
	<u>482,318</u>	<u>24,715</u>	<u>-</u>	<u>-</u>

The Group's financial investments are summarised by categories as follows:

LAR (Note (a))	320,846	24,715	-	-
AFS financial assets (Note (b))	161,472	-	-	-
	<u>482,318</u>	<u>24,715</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)



- I TIH GROUP
4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.6 Investments (cont'd.)

(a) LAR

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
At amortised cost:				
Fixed and call deposits with licensed financial institutions	320,054	24,715	-	-
Loans receivable:				
Staff mortgage loans	725	-	-	-
Other staff loans:				
Secured	28	-	-	-
Unsecured	39	-	-	-
	792	-	-	-
	<u>320,846</u>	<u>24,715</u>	<u>-</u>	<u>-</u>

Included in fixed and call deposits with licensed financial institutions of the TIH Group are short term deposits with maturity periods of less than 3 months amounting to RM148,032,000 (2011: RM24,715,000) which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

The carrying value of the fixed and call deposits approximates fair value due to the relatively short term maturities.

The carrying value of the staff mortgage loans and other staff loans are reasonable approximations of fair value due to the insignificant impact of discounting.

(b) AFS financial assets

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
At fair value:				
Equity securities:				
Quoted in Malaysia	10,003	-	-	-
Unit and property trust funds:				
Quoted in Malaysia	18,421	-	-	-
Debt securities:				
Quoted in Malaysia	132,873	-	-	-
	<u>161,297</u>	<u>-</u>	<u>-</u>	<u>-</u>
At cost less impairment:				
Equity securities:				
Unquoted in Malaysia	175	-	-	-
	<u>161,472</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.6 Investments (cont'd.)

(c) Carrying values of financial instruments

	LAR RM'000	AFS RM'000	Total RM'000
At 1 January 2011	-	-	-
Purchases	24,715	-	24,715
At 31 December 2011	<u>24,715</u>	<u>-</u>	<u>24,715</u>
At 1 January 2012	24,715	-	24,715
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	268,769	177,337	446,106
Purchases	864,044	6,894	870,938
Maturities/disposals	(836,682)	(21,499)	(858,181)
Fair value gains recorded in:			
Other comprehensive income	-	2,577	2,577
Realised loss transferred to profit or loss	-	(3,834)	(3,834)
Amortisation of investments	-	(3)	(3)
At 30 September 2012	<u>320,846</u>	<u>161,472</u>	<u>482,318</u>

(d) Fair values of financial investments

The following tables show financial investments recorded at fair value analysed by the different bases as follows:

	AFS RM'000
30 September 2012	
Quoted market bid price	28,424
Valuation techniques - market observable inputs	132,873
At cost less impairment	175
	<u>161,472</u>

Included in the quoted category are financial instruments that are measured in whole or in part by reference to quoted market bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.6 Investments (cont'd.)

(d) Fair values of financial investments (cont'd.)

For unquoted equity securities, fair value cannot be measured reliably. These financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

For financial investments carried at fair value, please refer to Note 4.5.36 of Section I - TIH Group for the fair value hierarchy disclosure.

(e) Average effective interest rates

The average effective interest rates and the earlier of the contractual re-pricing or maturity dates for each class of interest-bearing investment and placements with licensed financial institutions, at net carrying amounts are as below:

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	%	%	%	%
Debt securities	4.70	-	-	-
Loans	5.00	-	-	-
Deposits with financial institutions	3.32	3.05	-	-

4.5.7 Reinsurance assets

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Claims liabilities (Note 4.5.12 (i) of Section I - TIH Group)	145,314	-	-	-
Premium liabilities (Note 4.5.12 (ii) of Section I - TIH Group)	38,945	223	228	154
	184,259	223	228	154

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.8 Insurance receivables

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Due premiums including agents, brokers and co-insurers balances	17,209	-	-	-
Due from reinsurers and cedants	29,520	16,771	26,806	17,503
	<u>46,729</u>	<u>16,771</u>	<u>26,806</u>	<u>17,503</u>
Write back of allowance for impairment losses	2,327	-	-	-
	<u>49,056</u>	<u>16,771</u>	<u>26,806</u>	<u>17,503</u>

Movement in allowance accounts:

At 1 January	-	-	-	-
Arising subsequent to acquisition of subsidiary (TIMB):				
Impairment losses written-off	(1,533)			
Reversal of allowance for impairment losses	(794)	-	-	-
At 30 September / 31 December	<u>(2,327)</u>	<u>-</u>	<u>-</u>	<u>-</u>

4.5.9 Other receivables

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Financial assets:				
Income due and accrued	4,984	-	-	-
Assets held under the Malaysian Motor Insurance Pool ("MMIP")	22,204	-	-	-
MMIBonds	260	-	-	-
Other receivables	3,788	63	-	-
	<u>31,236</u>	<u>63</u>	<u>-</u>	<u>-</u>
Non-financial asset:				
Tax recoverable	3,610	-	-	-
	<u>34,846</u>	<u>63</u>	<u>-</u>	<u>-</u>

The carrying amounts of financial assets included under other receivables (excluding net assets held under MMIP) approximate their respective fair values due to the relatively short-term maturity of these balances.

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.10 Share capital

	Number of ordinary shares of RM1 each							
	← Audited →				← Audited →			
	30.09.2012 '000	31.12.2011 '000	31.12.2010 '000	31.12.2009 '000	30.09.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Authorised:								
At 1 January / date of incorporation	25,000	100	-	-	25,000	100	-	-
Created during the period	-	24,900	-	-	-	24,900	-	-
At 30 September / 31 December	25,000	25,000	-	-	25,000	25,000	-	-
Issued and fully paid:								
At 1 January / date of incorporation	14,238	-*	-	-	14,238	-*	-	-
Issued during the period pursuant to acquisition of TIH	-	14,238	-	-	-	14,238	-	-
At 30 September / 31 December	14,238	14,238	-	-	14,238	14,238	-	-

The holders of ordinary shares are entitled to receive dividends as and when declared by TIH. All ordinary shares carry one vote per share without restrictions and rank equally with regard to TIH's residual assets.

TIH issued 14,238,000 ordinary shares of RM1.00 each at par to its holding company for the acquisition of an 80% equity interest in TIH. The new ordinary shares issued ranked pari passu with the existing ordinary shares in issue as of the issuance date.

* Denotes share capital of RM2.00

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.11 Merger (deficit)/reserve

	←	Audited	→
	30.09.2012	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000
	(13,838)	(13,838)	400
	<u>400</u>	<u>400</u>	<u>400</u>

Merger (deficit)/reserve

Merger (deficit)/reserve represents the difference between consideration given and the carrying value of ordinary shares of the subsidiary acquired.



13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.12 Insurance contract liabilities

	Audited											
	30.09.2012			31.12.2011			31.12.2010			31.12.2009		
	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000
General insurance	475,779	(184,039)	291,740	-	-	-	-	-	-	-	-	-
General reinsurance	9,947	(220)	9,727	10,481	(223)	10,258	9,465	(228)	9,237	6,552	(154)	6,398
Life reinsurance	283	-	283	-	-	-	-	-	-	-	-	-
	486,009	(184,259)	301,750	10,481	(223)	10,258	9,465	(228)	9,237	6,552	(154)	6,398
(a) General insurance												
Provision for claims reported by policyholders	257,169	(105,406)	151,763	-	-	-	-	-	-	-	-	-
Provision for IBNR claims	109,370	(39,908)	69,462	-	-	-	-	-	-	-	-	-
Claims liabilities (i)	366,539	(145,314)	221,225	-	-	-	-	-	-	-	-	-
Premium liabilities (ii)	109,240	(38,725)	70,515	-	-	-	-	-	-	-	-	-
	475,779	(184,039)	291,740	-	-	-	-	-	-	-	-	-
(i) Claims liabilities												
At 1 January / date of incorporation	-	-	-	-	-	-	-	-	-	-	-	-
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	344,853	(128,603)	216,250	-	-	-	-	-	-	-	-	-
Claims incurred in the current accident year	111,324	(63,415)	47,909	-	-	-	-	-	-	-	-	-
Adjustment to claims incurred in prior accident years due to changes in accident years due to changes in assumptions	(9,200)	(1,863)	(11,063)	-	-	-	-	-	-	-	-	-
Claims paid during the period/years	(80,438)	48,567	(31,871)	-	-	-	-	-	-	-	-	-
	366,539	(145,314)	221,225	-	-	-	-	-	-	-	-	-
At 30 September / 31 December												

13. ACCOUNTANTS' REPORT (Cont'd)

- I TIH GROUP
4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.12 Insurance contract liabilities (cont'd.)

(a) General insurance (cont'd.)

	Audited								
	30.09.2012		31.12.2011		31.12.2010		31.12.2009		
	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000
	-	-	-	-	-	-	-	-	-
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	116,495	(35,340)	81,155	-	-	-	-	-	-
Premiums written in the period/years	73,709	(28,089)	45,620	-	-	-	-	-	-
Premiums earned during period/years	(80,964)	24,704	(56,260)	-	-	-	-	-	-
At 30 September / 31 December	109,240	(38,725)	70,515	-	-	-	-	-	-

(ii) Premium liabilities

At 1 January / date of incorporation
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)
Premiums written in the period/years
Premiums earned during period/years
At 30 September / 31 December

(b) General reinsurance

Provision for claims reported by policyholders
Provision for IBNR claims
Claims liabilities (i)
Premium liabilities (ii)

	401	-	401	503	-	503	105	100	100
	2,092	-	2,092	1,543	-	1,543	1,122	825	825
	2,493	-	2,493	2,046	-	2,046	1,227	925	925
	7,454	(220)	7,234	8,435	(223)	8,212	8,238	(228)	8,010
	9,947	(220)	9,727	10,481	(223)	10,258	9,465	(228)	9,237
									6,552
									6,398

(i) Claims liabilities

At 1 January / date of incorporation
Claims incurred in the current accident year
Claims paid during the period/years
At 30 September / 31 December

	2,046	-	2,046	1,227	-	1,227	925	-	-
	1,734	-	1,734	1,942	-	1,942	1,524	-	1,052
	(1,287)	-	(1,287)	(1,123)	-	(1,123)	(1,222)	-	(127)
	2,493	-	2,493	2,046	-	2,046	1,227	-	925

13. ACCOUNTANTS' REPORT (Cont'd)

- 1 TIH GROUP
4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
- 4.5.12 Insurance contract liabilities (cont'd.)
- (b) General reinsurance (cont'd.)

	30.09.2012		31.12.2011		Audited		31.12.2010		31.12.2009			
	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000
(ii) Premium liabilities												
At 1 January / date of incorporation	8,435	(223)	8,212	8,238	(228)	8,010	5,627	(154)	5,473	-	-	-
Premiums written in the period/years	46,543	(879)	45,664	55,690	(1,058)	54,632	46,134	(877)	45,257	35,676	(678)	34,998
Premiums earned during period/years	(47,524)	882	(46,642)	(55,493)	1,063	(54,430)	(43,523)	803	(42,720)	(30,049)	524	(29,525)
At 30 September / 31 December	7,454	(220)	7,234	8,435	(223)	8,212	8,238	(228)	8,010	5,627	(154)	5,473
(c) Life reinsurance												
At 1 January / date of incorporation	-	-	-	-	-	-	-	-	-	-	-	-
Increase in reserves	288	-	288	-	-	-	-	-	-	-	-	-
Benefits paid during the period	(5)	-	(5)	-	-	-	-	-	-	-	-	-
At 30 September / 31 December	283	-	283	-	-	-	-	-	-	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

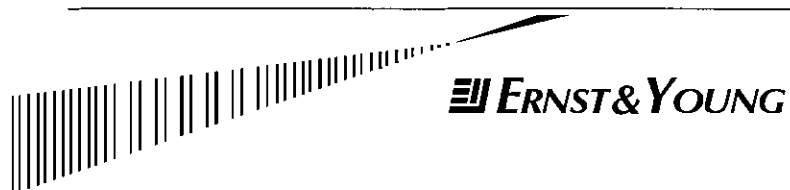
4.5.13 Deferred tax liabilities

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	(939)	-	-	-
Recognised in:				
Profit or loss	17	-	-	-
Other comprehensive income	314	-	-	-
At 30 September / 31 December	<u>(608)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(841)	-	-	-
Deferred tax assets	233	-	-	-
	<u>(608)</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.13 Deferred tax liabilities (cont'd.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Accelerated capital allowance on property and equipment RM'000	Fair value of AFS financial assets RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2012	-	-	-
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	42	(1,114)	(1,072)
Recognised in:			
Profit or loss	(83)	-	(83)
Other comprehensive income	-	314	314
At 30 September 2012	(41)	(800)	(841)
	Premium liabilities RM'000	Others RM'000	Total RM'000
Deferred tax assets			
At 1 January 2012	-	-	-
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	522	(389)	133
Recognised in:			
Profit or loss	(574)	674	100
At 30 September 2012	(52)	285	233

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.14 Borrowings

Audited 30.09.2012 RM'000	<----- Audited ----->		
	2011 RM'000	2010 RM'000	2009 RM'000

Short term borrowings

Secured:

Term loan	130,925	-	-	-
-----------	---------	---	---	---

On 21 May 2012, TIH was granted a term loan facility of RM160.0 million for the purpose of the acquisition of an equity interest in TIMB and further acquisitions of shares of TIMB under the mandatory general offer from its minority shareholders. The term loan facility is denominated in Ringgit Malaysia and is secured by TIMB shares.

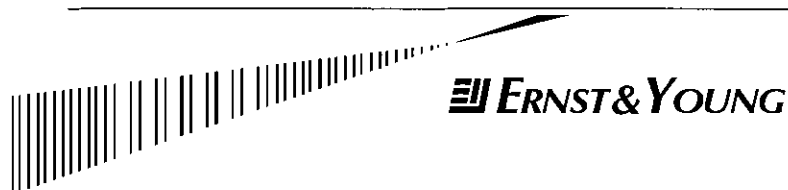
The interest on term loan is chargeable at rates ranging from 2.75% to 3.75% per annum above the banks' cost of funds.

The weighted average effective interest rates of the borrowings are as follows:

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	%	%	%	%
Term loan	6.25	-	-	-

The term loan is to be repaid in 16 quarterly principal instalments commencing from the end of the 15th month from the date of the first drawdown on 23 May 2012.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.14 Borrowings (cont'd.)

However, pursuant to Clause 8.2 of the Term Loan Facility Agreement dated 21 May 2012, TIH is required to undertake mandatory repayment of loan in whole or in part at any time during the tenure upon receiving the proceeds arising from its listing exercise on the Main Market of Bursa Securities.

With the anticipation that the listing exercise will be carried out by November to December 2012, the term loan is classified as short term and repayable within 1 year as at 30 September 2012.

The carrying amount approximates fair value due to the relatively short-term maturity.

The fair value of the borrowing is determined by reference to discounting the present value of future cash flows, discounted at the market rate of profit at the end of the reporting date.

4.5.15 Insurance payables

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Due to agents, brokers, co-insurers and insureds	14,090	-	-	-
Due to reinsurers and cedants	33,887	156	1,397	358
	<u>47,977</u>	<u>156</u>	<u>1,397</u>	<u>358</u>

The carrying amounts approximate fair value due to their relatively short-term maturity.

4.5.16 Retirement benefits

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Arising from acquisition of a subsidiary (Note 4.5.4(ii) of Section I - TIH Group)	1,137	-	-	-
Provision for the period/year	333	-	-	-
Payments during the year	(78)	-	-	-
At 30 September / 31 December	<u>1,392</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount payable after 12 months	<u>1,232</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.17 Other payables

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Amount due to holding company	47,615	17,218	-	-
Dividend payable	-	500	-	-
Finance cost payable	893	-	-	-
Claims payable	8,547	-	-	-
Reinsurance deposits	3,430	-	-	-
Others	3,814	226	58	91
	64,299	17,944	58	91
Non-financial liabilities:				
Accrued expenses	8,191	-	-	-
	72,490	17,944	58	91

The carrying amounts approximate fair value due to their relatively short-term maturity.

Included in the amount due to holding company are net advances received of RM46,600,000 (31.12.2011: RM20,000,000) and RM46,600,000 (31.12.2010: Nil), respectively, taken for the purpose of the acquisition of TIMB and working fund of the Company and its subsidiaries. This advances are unsecured and repayable on demand.

The weighted average effective interest rates for the advances are as follows:

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	%	%	%	%
Advances from holding company	5.93	4.85	-	-

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.18 Operating revenue

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premium (Note 4.5.19 of Section I - TIH Group)	129,032	40,149	55,493	43,523	30,049
Investment income (Note 4.5.20 of Section I - TIH Group)	7,123	-	377	-	-
	<u>136,155</u>	<u>40,149</u>	<u>55,870</u>	<u>43,523</u>	<u>30,049</u>

4.5.19 Net earned premiums

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
(a) Gross earned premiums					
General insurance contracts	120,252	40,924	55,690	46,134	35,676
Life reinsurance contracts	544	-	-	-	-
Change in premium liabilities	8,236	(775)	(197)	(2,611)	(5,627)
	<u>129,032</u>	<u>40,149</u>	<u>55,493</u>	<u>43,523</u>	<u>30,049</u>
(b) Premiums ceded to reinsurers					
General insurance contracts	28,968	778	1,058	877	678
Change in premium liabilities	(3,382)	(19)	5	(74)	(154)
	<u>25,586</u>	<u>759</u>	<u>1,063</u>	<u>803</u>	<u>524</u>
Net earned premiums	<u>103,446</u>	<u>39,390</u>	<u>54,430</u>	<u>42,720</u>	<u>29,525</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.20 Investment income

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Rental income from investment property	119	-	-	-	-
Interest income:					
- AFS financial assets	2,011	-	-	-	-
- LAR	3,744	-	377	-	-
- Others	791	-	-	-	-
Dividend income:					
- AFS financial assets	461	-	-	-	-
	7,126	-	377	-	-
Net amortisation of premiums on investments	(3)	-	-	-	-
	7,123	-	377	-	-

4.5.21 Realised gains and losses

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Property and equipment:					
Realised gain on disposal of property and equipment	4	-	-	-	-
AFS financial assets:					
Realised gains:					
Equity securities					
- quoted in Malaysia	4,184	-	-	-	-
Debts securities					
- unquoted in Malaysia	10	-	-	-	-
Realised losses:					
Equity securities					
- quoted in Malaysia	(360)	-	-	-	-
Total realised gains for AFS financial assets	3,834	-	-	-	-
Total realised gains	3,838	-	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.22 Other operating income/(expenses)

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Other operating income:					
Sundry income	103	-	26	-	-
Other operating expenses:					
Unrealised loss on foreign exchange	-	-	-	(99)	-
Accruals for listing expenses	(2,000)	-	-	-	-
Professional fees incurred in relation to the acquisition of TIMB Group	(881)	-	-	-	-
	<u>(2,881)</u>	<u>-</u>	<u>-</u>	<u>(99)</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)



1 TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.23 Net claims

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited ----->		
			01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
(a) Gross claims paid					
General insurance contracts	(81,730)	(623)	(1,123)	(1,222)	(127)
(b) Claims ceded to reinsurers					
General insurance contracts	48,567	-	-	-	-
Net claims paid (a)	<u>(33,163)</u>	<u>(623)</u>	<u>(1,123)</u>	<u>(1,222)</u>	<u>(127)</u>
(c) Gross change to contract liabilities					
General insurance contracts	(22,416)	(103)	(819)	(302)	(925)
(d) Change in contract liabilities ceded to reinsurers					
General insurance contracts	20,203	-	-	-	-
Net change in contract liabilities (b)	<u>(2,213)</u>	<u>(103)</u>	<u>(819)</u>	<u>(302)</u>	<u>(925)</u>
Net claims (a)+(b)	<u>(35,376)</u>	<u>(726)</u>	<u>(1,942)</u>	<u>(1,524)</u>	<u>(1,052)</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.24 Management expenses

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited ----->		
			01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Reimbursement of expenses incurred by the holding company:					
Staff costs:					
- Salaries and bonuses	2,066	-	506	-	-
- Defined contribution plan	213	-	52	-	-
- Staff recruitment costs	42	-	-	-	-
- Other employee benefits	77	-	11	-	-
	2,398	-	569	-	-
Marketing expenses	21	-	5	-	-
Rental of premises	52	-	12	-	-
Professional fees	185	-	147	-	-
Administration and general expenses	591	-	273	-	-
	3,247	-	1,006	-	-
Reimbursement of expenses incurred by the cedant company:					
Provision for Takaful and Insurance Benefits Protection System/ (2010/2009: Insurance Guarantee Scheme Fund Levies)	-	68	-	84	66
Employee benefits expense (Note 4.5.24(a) of Section I - TIH Group)	6,713	-	-	-	-
Directors' remuneration (Note 4.5.24(b)) Section I - TIH Group)	101	-	26	-	-
Auditors' remuneration:					
- statutory audits	120	-	40	28	25
Depreciation of property and equipment	255	-	-	-	-
Depreciation of investment property	7	-	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.24 Management expenses (cont'd.)

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Amortisation of intangible assets	28	-	-	-	-
Reversal of allowance for impairment losses on insurance receivables	(794)	-	-	-	-
Provision for Takaful and Issuance Benefits Protection System	137	-	-	-	-
Management fees	76	-	-	-	-
Marketing expenses	2,738	-	138	-	-
Rental of premises	281	-	-	-	-
Professional fees	58	38	88	-	-
Printing charges	156	-	-	-	-
Publicity expenses	731	-	-	-	-
Communication expenses	214	-	-	-	-
Computer expenses	319	-	-	-	-
Administration and general expenses	2,312	29	106	90	87
	<u>16,699</u>	<u>135</u>	<u>1,404</u>	<u>202</u>	<u>178</u>

(a) Employee benefits expense

Wages and salaries	4,764	-	-	-	-
Social security contributions	50	-	-	-	-
Contributions to defined contribution plan-EPF	732	-	-	-	-
Other benefits	1,167	-	-	-	-
	<u>6,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Directors' remuneration

The details of directors' remuneration for the year/period are as follows:

Non-executive directors:					
Fees	57	-	24	-	-
Allowances and other emoluments	44	-	2	-	-
	<u>101</u>	<u>-</u>	<u>26</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.25 Finance costs

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense on:					
Borrowings - term loans	4,607	-	-	-	-
Advances from holding company	2,550	-	-	-	-
	<u>7,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

4.5.26 Taxation

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Current income tax:					
Malaysian income tax	4,745	20	20	20	20
Over provision in prior year	(112)	-	-	-	-
	<u>4,633</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
Deferred tax (Note 4.5.13 of Section I - TIH Group)					
Relating to origination and reversal of temporary differences	(11)	-	-	-	-
Over provision in prior year	(6)	-	-	-	-
	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,616</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>

TIH is not subject to tax as it is in a tax loss position. The Labuan subsidiaries are entitled to elect to pay tax of 3% of the chargeable profits or RM20,000 based on the election under Section 7 of the Labuan Business Activity Tax Act, 1990 in respect of its chargeable profits for the years/period.

The income tax for the general insurance subsidiary namely, TIMB, is based on the tax rate of 25% of the estimated assessable profit for the financial period.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

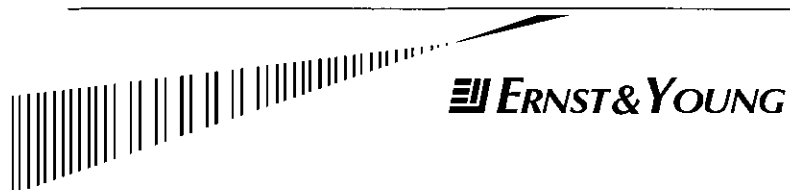
4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.26 Taxation (cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate is as follows:

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation	32,483	25,735	34,195	26,422	17,233
Taxation at Malaysian statutory tax rate of 25%	8,121	6,434	8,549	6,606	4,308
Effect of chargeable profits subject to RM20,000	(7,155)	(6,414)	(8,635)	(6,586)	(4,288)
Non-taxable income	-	-	(353)	-	-
Expenses not deductible for tax purposes	3,768	-	459	-	-
Over provision of taxation in prior year	(112)	-	-	-	-
Over provision of deferred taxation in prior year	(6)	-	-	-	-
Tax expense for the period/year	4,616	20	20	20	20

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.27 Earnings per share

Earnings per share is calculated by dividing the profit for the year/period attributable to ordinary equity holder of TIH by the weighted average number of ordinary shares in issue during the period/year.

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holder (RM'000)	23,453	20,572	27,255	21,122	13,770
Number/ weighted average number of ordinary shares in issue during the period/year ('000)	14,238	574	4,018	n/a	n/a
Basic earnings per share (RM)	<u>1.6</u>	<u>35.9</u>	<u>6.8</u>	<u>n/a</u>	<u>n/a</u>

There were no dilutive potential ordinary shares as at the end of the respective period/year. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

The earnings per share for the financial period ended 31 December 2009 and financial year ended 31 December 2010 was not computed as TIH was not in existence as of those dates.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

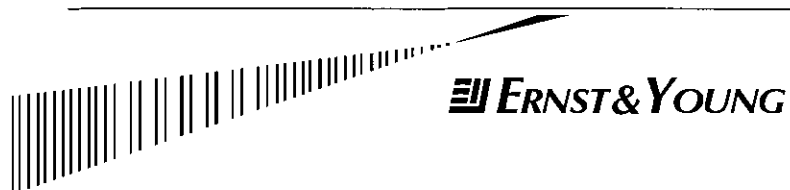
4.5.28 Dividends

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited ----->		
			01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Recognised during the financial years/period:					
<u>Dividend on ordinary shares:</u>					
Interim tax exempt dividends of RM69.93 per ordinary share in respect of the financial period ended 30 September 2012	2,500	-	-	-	-
Interim tax exempt dividends of RM244.75 per ordinary share in respect of the financial year ended 31 December 2011	-	17,500	21,000	-	-
Final tax exempt dividend of RM55.94 per ordinary share in respect of the financial year ended 31 December 2010	-	8,000	8,000	-	-
Interim tax exempt dividend of RM147.98 per ordinary share in respect of the financial year ended 31 December 2010	-	-	-	21,161	-
Interim tax exempt dividend of RM44.76 per ordinary share in respect of the financial period ended 31 December 2009	-	-	-	-	6,400
	<u>2,500</u>	<u>25,500</u>	<u>29,000</u>	<u>21,161</u>	<u>6,400</u>

The dividend per ordinary share disclosed above is arrived at based on the total dividends paid by the TIH Group to the holding company and non-controlling interest, divided by the number of ordinary shares of TIL as of the respective dates of declaration/payment of the dividends.

The number of ordinary shares of TIL is used as the Group and TIH were not in existence as of the dates such dividends were declared/paid.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.29 Operating lease arrangements

(a) TIH as lessee

TIH has entered into a lease agreement for rental of office premises.

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future minimum rental payments:

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Rental of office premises:				
Payable within one year	670	-	-	-
Payable after one year	288	-	-	-
	958	-	-	-

(b) TIH as lessor

TIH has entered into a non-cancellable operating lease arrangement on its investment property. The lease have remaining non-cancellable lease term of 3 years.

The future minimum lease payments receivable under a non-cancellable operating lease contracted for as at the reporting date but not recognised as receivables, are as follows:

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Receivable within one year	339	-	-	-
Receivable after one year	280	-	-	-
	619	-	-	-

Rental income on investment property recognised in the statements of comprehensive income during the relevant financial years is disclosed in Note 4.5.20 of Section I - TIH Group.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Capital commitments

The commitments of the Group and TIH as at the financial period/year-end are as follows:

	<----- Audited ----->			
	30.09.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Capital expenditure:				
Approved but not contracted for:				
Property and equipment	10,000	-	-	-
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

4.5.31 Related party disclosures

(a) Significant related party transactions

The TIH Group had the following significant transactions with related parties during the financial period/year:

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
(Expense)/income:					
Holding company, TMSB:					
Reimbursement of expenses incurred	(3,247)	-	(1,006)	-	-
Dividend paid	-	(20,400)	(20,400)	(16,929)	(5,120)
Corporate shareholder of the Company, AirAsia Berhad:					
Fee and commission expense	(757)	-	-	-	-
Corporate shareholder of a subsidiary, TIL:					
Dividend paid	(2,500)	(5,100)	(8,600)	(4,232)	(1,280)
Gross earned premiums	13,726	40,149	54,457	43,523	30,049
Fee and commission expense	(2,194)	(12,794)	(16,752)	(14,473)	(11,062)
Reimbursement of expenses	-	(68)	-	84	66
Gross claims paid	(982)	(623)	(1,123)	(1,222)	(127)

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Related party disclosures (cont'd.)

(a) Significant related party transactions (cont'd.)

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
(Expense)/income:					
Related companies:					
Tune Talk Sdn Bhd					
Gross written premium	780	-	-	-	-
AirAsia X Berhad					
Fee and commission expense	(171)	-	-	-	-

Details of balances with related parties at the end of the respective years/period are disclosed in Note 4.5.17 of Section I - TIH Group.

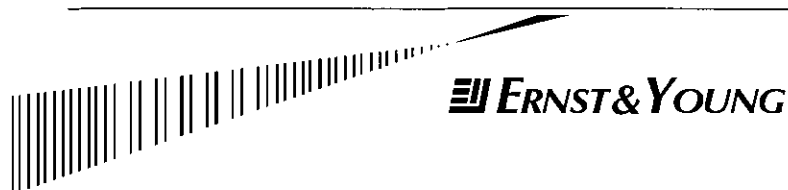
(b) Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Non-executive directors' remuneration	101	-	26	-	-
CEO's remuneration	224	-	-	-	-
Other key management personnel:					
Short term employee benefits	916	-	-	-	-
EPF expenses	107	-	-	-	-
Gratuity	11	-	-	-	-
Benefits-in-kind	21	-	-	-	-
	<u>1,380</u>	<u>-</u>	<u>26</u>	<u>-</u>	<u>-</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the TIH Group. The key management personnel of the Group includes the Directors, Chief Executive Officer, Financial Controller and Assistant General Managers.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.32 Regulatory capital/working fund and solvency requirements of subsidiaries

(i) TMGR, TMLR and TIL

The Guidelines on Application for License - Insurance and Insurance Related Activities ("the Guideline") was introduced as the capital adequacy, working fund and solvency requirement for all insurers licensed under the Labuan Financial Services and Securities Act 2010 ("LFSSA 2010") effective from 13 December 1997. It has been imposed by the Labuan Financial Services Authority ("Labuan FSA"), pursuant to Section 109 of the LFSSA 2010 as a licensing condition for insurance companies.

(a) TMGR and TMLR

TMGR and TMLR, as Labuan reinsurers are required to maintain at all times, a minimum paid-up capital/net working funds of RM10.0 million each.

In addition, TMGR and TMLR are also each required to have minimum solvency margin of:

- (1) RM10.0 million; or
- (2) 20% of net premium income of the preceding year, whichever is greater for TMGR and 3% of the latest actuarial valuation of liabilities, whichever is greater for TMLR.

TMGR has met the minimum capital adequacy requirements as prescribed by the Labuan FSA at end of the financial period.

As at 30 September 2012, TMLR's net working funds was RM7,497,000 and margin of solvency shows a deficiency of RM2,503,000. TIH has committed to continue to support TMLR's operations should there be any insufficient working funds available to meet TMLR's obligations and liabilities as and when they fall due.

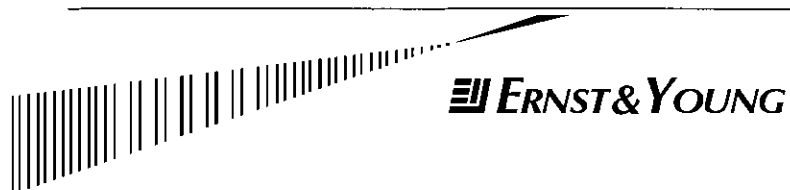
(b) TIL

TIL, as a Labuan captive insurer is required to maintain at all times a surplus of assets over liabilities, which is:

- (1) equivalent to, or more than the amount of its working fund; or
- (2) 20% of the net premium income for the preceding year in respect of the general insurance business, whichever is greater.

As at 30 September 2012, TIL's margin of solvency shows a deficiency of RM4,057,000 (31.12.2011: RM897,000). As TIL is currently in run-off, TIH will continue to support its operations should there not be sufficient working funds available to meet the subsidiary's obligations and liabilities as and when they fall due.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.32 Regulatory capital/working fund and solvency requirements of subsidiaries

(ii) TIMB

Regulatory capital requirement

The capital structure of TIMB as at 30 September 2012, as prescribed under the Risk-Based Capital Framework ("RBC Framework"), is provided as below:

	30.09.2012 RM'000
Eligible Tier 1 capital	
Share capital (paid-up)	100,013
Reserves, including retained earnings	68,136
	<u>168,149</u>
Tier 2 capital	
Eligible reserves	<u>5,055</u>
Amount deducted from capital	<u>404</u>
Total capital available	<u>172,800</u>

TIMB has met the minimum capital adequacy requirements as prescribed by the RBC Framework as at the reporting date.

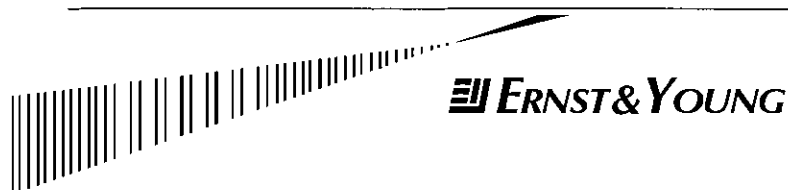
4.5.33 Risk management framework

The Board of the insurance subsidiary has established a Risk Management Committee ("RMC") of 3 members, comprising two Non-Executive Directors, the Chief Executive Officer and other members of staff. The Committee is responsible for regularly identifying risks, ensuring that adequate risk management policies and procedures are in place, and monitoring compliance with policies and procedures.

The Committee has worked with the Management to develop these policies and both Management and Board have agreed to adopt these policies to govern the running of the business.

Risk appetite

The insurance subsidiary's risk appetite has been established as 3% of shareholders funds i.e. approximately RM4 million on any one event or series of events arising from a single cause.

13. ACCOUNTANTS' REPORT (Cont'd)**1 TIH GROUP****4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.33 Risk management framework (cont'd.)****Overview of risk management policies**

The TIH Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the TIH Group's business whilst managing the key risks faced by the TIH Group.

A. Underwriting**i. Risk**

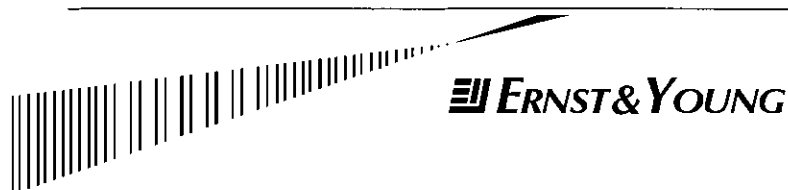
Acceptance of poor insurance risks, risks with low profit margins and inadequate reinsurance arrangements contribute to low profitability and inadequate capital growth. Insurance risk is also the risk of outstanding insurance contract liabilities being greater than estimated.

ii. Policy

The following outlines the TIH Group's policies to safeguard against these risks:

- (a) Underwrite only classes of risks which have been approved by the Board;
- (b) Accept risks within the approved classes only according to comprehensive underwriting guidelines and within limits of delegated authority;
- (c) Expand into new lines only where there is adequate experience within the TIH Group and after management has obtained appropriate Board authority;
- (d) Price risks with sufficient margin to ensure ongoing viability of the business, and maintaining a professional approach to this function;
- (e) Retain risks according to guidelines on maximum risks to be retained;
- (f) Mitigate foreign currency risks on reinsurance by all significant reinsurance arrangements being entered into in Malaysian Ringgit;
- (g) Ensure compliance with treaty arrangements in accepting risks;
- (h) Maintain a balanced portfolio to yield a reasonable level of profits; and
- (i) Review on a regular basis the insurance contract liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.33 Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

B. Reinsurance

Maintain prudent reinsurance arrangements with reputable reinsurers to safeguard the ongoing viability of the business including its capacity to meet obligations to cedants and shareholders.

Assess the credit worthiness of reinsurance counterparties and their ability to service their claims obligations.

C. Claims

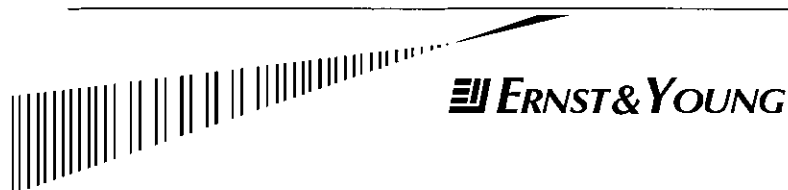
i. Risk

Exposure to unexpected or excessive losses, fraudulent claims and inadequate provisions for outstanding claims could affect the TIH Group's profitability, financial position and reputation.

ii. Policy

The TIH Group's policies to guard against these risks are:

- (a) Identify claims exposures and properly assess them, and routinely review them upon advent of further information and at least once a year.
- (b) Maintain good claims administration and settlement processes to ensure prudent claims estimation and appropriate loss adjustment.
- (c) Make adequate provisions for all claims liabilities, especially for long-tail liabilities and the effect of superimposed inflation and adverse foreign exchange movements on such liabilities.
- (d) Assess exposure to fraud periodically and employ measures to minimise potential losses through accepting claims outside contractual obligations for fraudulent reasons and for detecting fraudulent claims.
- (e) Ensure that losses are mitigated and potential recovery action is followed up in a professional and timely fashion.

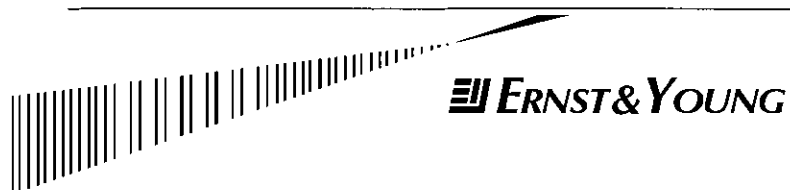
13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.33 Risk management framework (cont'd.)****Overview of risk management policies (cont'd.)****D. Investments****i. Risk**

Investment risk is the risk of inadequate investment returns from poor investment strategies and adverse movements in the value of investments. Investment risk is derived from market risk, credit risk, investment concentration risk, liquidity risk, and asset/liability mismatch risk.

ii. Policy

Returns from investment of premium income are an important source of income to TIH and maintenance of the market value of the investments is essential for the financial stability of the TIH Group. Absence of prudent investment strategies and investment decision framework could result in poor investment return which would affect the TIH Group's profitability and competitiveness and also result in the TIH Group not being able to meet its obligations as they fall due. It is the TIH Group's policy to:

- (a) Implement an investment strategy to ensure appropriate asset allocation, concentration of investments and matching of asset and liability portfolios.
- (b) Ensure that investments are held in different classes within limits specified by the Investment Committee.
- (c) Undertake a thorough analysis before making an investment to minimise market risk and continuously monitor the performance and risk of the investment.
- (d) Manage disposal of investments to optimise the returns on realisation.
- (e) Limit exposure to interest rate risk by investing in term deposits, corporate bonds and government securities on a long and short-term basis at competitive rates.
- (f) Ensure liquidity by maintaining sufficient cash float at any time and regularly matching expected duration of liabilities and investment; and uncertainties arising from timing and amount of cash flows.
- (g) Minimise credit risk and investment concentration risk by investing with institutions that have a minimum rating of "B" within specific overall limits for each institution.
- (h) Monitor investment portfolio and performance weekly or at other shorter intervals and report investment exposure and performance to the Board monthly.

13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.33 Risk management framework (cont'd.)****Overview of risk management policies (cont'd.)****E. Credit Quality****i. Risk**

The TIH Group's exposure to credit risks are mainly due to uncertainty in counter parties' (mainly from cedants, reinsurers and intermediaries) ability to meet the financial and contractual obligations to the TIH Group when they are due.

The TIH Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

The TIH Group's insurance receivables are concentrated to amount owing by a single cedant without any collateral.

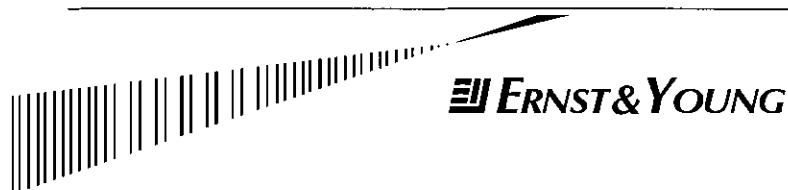
The TIH Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets as at the end of the reporting period.

ii. Policy

Policies to limit credit risks include the following:

- (a) Maintain credit control in accordance with appropriate policies and procedures which govern the extension of credit to the cedants and specifies guidelines for setting limits on credit as per the quota share agreement.
- (b) Monitor compliance with such established credit limits.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.33 Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

F. Operations

i. Risk

Non-financial or operational risks the TIH Group faces include technology risk, risk to reputation, fraud, compliance, legal risk, physical damage to property, poor outsourcing arrangements, threats to business continuity and key person risk.

ii. Policy

The policies to monitor and minimise these risks are as follows:

- (a) Undertake annual risk audits to identify material operations risks to which the TIH Group is exposed.
- (b) Effect appropriate insurance cover for all identified operations risks which can be cost-effectively insured.
- (c) Closely monitor the external relationships.
- (d) Ensure at all times that compliance with regulatory requirements and fulfillment of material obligations under the legislative framework is maintained.
- (e) Maintain an ethics and personal conduct policy to conduct the affairs of the TIH Group are conducted in a manner that would avoid any action by the TIH Group or its officers that would bring disrepute to the TIH Group.
- (f) Implement adequate security procedures to prevent unauthorized access, damage, loss to assets and facilities and harm to employees.
- (g) Ensure that division and responsibility is clear and mutually understood where any part of the TIH Group's business is outsourced to third parties whilst ultimate control over the outsourced operations is retained by the TIH Group.
- (h) Identify the possible types of fraud the TIH Group are exposed to and develop and maintain effective controls to prevent them and to take appropriate and prompt action if fraud occurs.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.33 Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

G. Regulatory compliance and corporate governance

The Management is responsible to follow a systematic approach to the business and effectively manage the risks. The key risks that have been identified are monitored and their status communicated as appropriate throughout all levels of the organisation and are also incorporated in the TIH Group's performance management reporting.

H. Regulations of risk management

In accordance with these policies a framework for management of risks identified has been developed for the effective management of risk.

Effective and efficient operation of the organisation would be ensured through:

- (a) Providing a framework for an organisation that enables for activities to be undertaken in a consistent and controlled manner.
- (b) A management structure that clearly identifies the roles and responsibilities of the staff.
- (c) Development of procedures to ensure that the risk management strategies are implemented.
- (d) Retention of a well-qualified level of staff through appropriate recruitment, training and staff development programme.
- (e) Improving motivation of staff through a suitable communication, review, feedback and rewards system.
- (f) Prompt and comprehensive management reporting systems to assess performance and progress of the business and the utilisation of its resources.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.34 Insurance risk

TIH has in place comprehensive underwriting guidelines and limits of authority to ensure that risks are accepted in accordance with the authorised limits. The retention of risks is protected by proportional and non-proportional treaties with reputable reinsurers and brokers, and premised on the risk appetite of the TIH Group.

(a) Concentration of risks

(i) General reinsurance

The following table sets out the concentration of travel insurance risks by country/regions based on the geographical location of the primary insurers or reinsurers from which the gross premium are written.

Geographical diversification

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	21,284	25,988	34,784	31,609	25,494
Thailand	9,550	6,067	8,577	5,400	3,981
Indonesia	5,991	4,297	5,574	4,352	3,786
Singapore	3,945	2,523	3,394	2,336	1,865
Australia	1,833	640	1,256	1,428	-
Shenzhen, China	1,295	622	985	333	307
Hong Kong, China	808	484	657	528	-
Macau, China	553	161	235	148	243
Philippines	475	73	108	-	-
Cambodia	163	63	106	-	-
Japan	622	-	-	-	-
Laos	24	6	14	-	-
	<u>46,543</u>	<u>40,924</u>	<u>55,690</u>	<u>46,134</u>	<u>35,676</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.34 Insurance risk (cont'd.)

(a) Concentration of risks by class of business

(ii) General insurance

The table below shows the concentration of gross written premium by class of business:

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited -----> 01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Motor	39,162	-	-	-	-
Fire	6,225	-	-	-	-
Marine, aviation and transit	14,719	-	-	-	-
Others	13,603	-	-	-	-
	<u>73,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

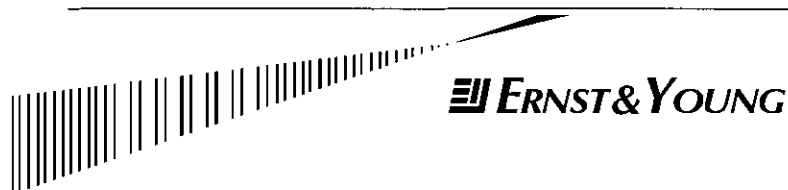
The table below shows the concentration of premium liabilities by class of business:

30.09.2012	Gross premium liabilities RM'000	Re- insurance premium liabilities RM'000	Net premium liabilities RM'000
Motor	61,430	(8,306)	53,124
Fire	10,395	(3,797)	6,598
Marine, aviation and transit	22,275	(20,504)	1,771
Others	15,140	(7,369)	7,771
	<u>109,240</u>	<u>(39,976)</u>	<u>69,264</u>

The table below shows the concentration of claim liabilities by class of business:

30.09.2012	Gross claim liabilities RM'000	Re- insurance claim liabilities RM'000	Net claim liabilities RM'000
Motor	177,691	(7,678)	170,013
Fire	28,027	(21,594)	6,433
Marine, aviation and transit	105,860	(86,654)	19,206
Others	54,961	(29,388)	25,573
	<u>366,539</u>	<u>(145,314)</u>	<u>221,225</u>

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.34 Insurance risk (cont'd.)

(b) Sensitivity analysis

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the TIH Group's future claims development will follow a similar pattern to past claims development experience. This includes key assumptions such as the adopted Ultimate Loss Ratios ("ULR"), risk margin percentages (i.e. Provision of Risk Margin for Adverse Deviation ("PRAD")) and provision for claims handling costs.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Sensitivities

The general re/insurance claim liabilities are sensitive to the key assumptions shown below. It is not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

(i) General reinsurance

		<-----Increase/(decrease)----->			
	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity RM'000
30.09.2012					
Loss ratio	+1%	489	489	489	489
	-1%	(489)	(489)	(489)	(489)
31.12.2011					
Loss ratio	+1%	545	545	545	545
	-1%	(545)	(545)	(545)	(545)

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.34 Insurance risk (cont'd.)

(b) Sensitivity analysis (cont'd.)

(i) General reinsurance (cont'd.)

	Changes in variable	<-----Increase/(decrease)----->			
		Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity RM'000
31.12.2010					
Loss ratio	1%	435	435	435	435
	-1%	(435)	(435)	(435)	(435)
31.12.2009					
Loss ratio	1%	300	300	300	300
	-1%	(300)	(300)	(300)	(300)

(ii) General insurance

	Changes in variable	<-----Increase/(decrease)----->			
		Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity RM'000
30.09.2012					
Loss ratio	+10%	68,210	40,170	(40,170)	(30,128)
PRAD	+10%	2,564	1,290	(1,290)	(968)
Provision for expenses	+10%	444	444	(444)	(333)

(iii) Life reinsurance

Assumptions determined at the date of valuation is based on the retrospective method to estimate the liabilities. The method uses past premiums and claims incurred. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

It is not expected that a reasonably possible change in the assumptions used to value the life insurance contract liabilities will have significant impact on the results of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)

- I TIH GROUP
4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.34 Insurance risk (cont'd.)

(c) Claims development table

(i) General reinsurance

As this is only the fourth financial year since the incorporation of TIL and second financial year since the incorporation of TMGR, it is not meaningful to present the claims development table in the financial statements.

(ii) General insurance

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to-date of TMB.

In setting provisions for claims, TIH gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Gross general insurance contract liabilities for 30.09.2012:

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	215,703	171,487	168,880	231,989	174,026	170,544	184,136	178,535	
One year later	206,489	189,062	158,065	251,136	124,814	168,597	162,694		
Two years later	199,753	238,023	161,822	211,179	117,799	169,977			
Three years later	185,588	190,660	157,899	206,783	117,041				
Four years later	185,137	192,144	152,896	206,504					
Five years later	190,674	190,249	151,655						
Six years later	186,659	190,646							
Seven years later	206,119								
Current estimate of cumulative claims incurred	206,119	190,646	151,655	206,504	117,041	169,977	182,694	178,535	1,363,171

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.) 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.34 Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

(ii) General Insurance (cont'd.)

Gross general insurance contract liabilities for 30.09.2012 (cont'd.):

Accident year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	(56,005)	(39,651)	(52,065)	(43,395)	(39,747)	(38,182)	(30,815)	(58,737)	
One year later	(108,271)	(111,344)	(97,631)	(146,308)	(73,127)	(95,372)	(63,070)		
Two years later	(147,832)	(131,382)	(120,035)	(173,375)	(88,940)	(105,458)			
Three years later	(458,615)	(172,851)	(133,779)	(188,104)	(98,700)				
Four years later	(166,057)	(177,927)	(140,857)	(192,133)					
Five years later	(170,840)	(178,884)	(142,940)						
Six years later	(173,890)	(179,704)							
Seven years later	(175,890)								
Cumulative payments to-date	(175,890)	(179,704)	(142,940)	(192,133)	(98,700)	(105,458)	(63,070)	(58,737)	(1,016,632)

Gross general insurance contract liabilities per statements of financial position

	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
	30,229	10,942	8,715	14,371	18,341	64,519	99,624	119,798	368,539

Net general insurance contract liabilities for 30.09.2012:

Accident year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	86,749	93,390	90,326	102,392	104,437	114,029	134,687	100,938	
One year later	90,534	96,896	85,079	92,619	88,388	106,956	128,801		
Two years later	88,846	87,560	84,387	89,334	87,742	105,610			
Three years later	79,869	85,438	84,684	85,705	86,556				
Four years later	79,430	86,228	80,836	85,329					
Five years later	80,828	84,087	80,547						
Six years later	77,700	83,943							
Seven years later	82,371								
Current estimate of cumulative claims incurred	82,371	83,943	80,547	85,329	86,556	105,610	128,801	100,938	754,095

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.34 Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

(ii) General insurance (cont'd.)

Net general insurance contract liabilities for 30.09.2012 (cont'd.):

Accident year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	(27,106)	(34,194)	(32,810)	(34,131)	(36,105)	(34,592)	(28,737)	(19,501)	
One year later	(57,734)	(64,307)	(60,380)	(63,502)	(62,444)	(67,182)	(57,637)		
Two years later	(65,144)	(70,765)	(66,712)	(71,614)	(70,711)	(74,301)			
Three years later	(68,029)	(74,012)	(71,819)	(75,894)	(74,666)				
Four years later	(70,604)	(77,293)	(74,337)	(77,922)					
Five years later	(72,926)	(77,821)	(75,333)						
Six years later	(73,708)	(78,345)							
Seven years later	(75,165)								
Cumulative payments to-date	(75,165)	(78,345)	(75,333)	(77,922)	(74,666)	(74,301)	(57,637)	(19,501)	(532,870)
Net general insurance contract liabilities per statements of financial position	7,206	5,598	5,214	7,407	11,890	31,309	71,164	81,437	221,225

13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.35 Financial risks****(a) Credit risk**

Treaty reinsurers and brokers credit ratings are evaluated prior to entering into treaty arrangements. The TIH Group observes the Bank Negara Malaysia Guidelines and Internal Group policies in assessing the credit ratings of reinsurers and brokers.

The settlement risks are also mitigated through prompt reconciliations of records and recovery actions, avoiding at all times delays in collection from reinsurers and entering into commutations for run off reinsurers. The TIH Group has tightened the credit collection and recovery policies to expedite collections. The TIH Group is unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

Credit exposure

At the reporting date, the TIH Group's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statements of financial position as shown in the table below:

	Audited		
	30.09.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
LAR:			
Fixed and call deposits with licensed financial institutions	320,054	24,715	-
Loans receivable:			
Staff mortgage loans	725	-	-
Other staff loans:			
Secured	28	-	-
Unsecured	39	-	-
AFS financial assets:			
Debt securities	132,873	-	-
Reinsurance assets	184,259	223	228
Insurance receivables	49,056	16,771	26,606
Other receivables	34,846	63	-
Cash and bank balances	19,565	8,555	456
	741,445	50,327	27,490
			18,334

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.35 Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the TIH Group by classifying assets according to the TIH Group's credit ratings of counterparties.

	Neither impaired nor past-due					Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000		
30.09.2012							
LAR:							
Fixed and call deposits with licensed financial institutions	141,457	50,436	51,195	-	76,966	-	320,054
Loans receivable:							
Staff mortgage loans	-	-	-	-	725	-	725
Other staff loans:							
Secured	-	-	-	-	28	-	28
Unsecured	-	-	-	-	39	-	39
AFS financial assets:							
Debt securities	60,713	63,821	1,035	-	7,304	-	132,873
Reinsurance assets	221	310	47,434	7,594	128,700	-	184,259
Insurance receivables	-	314	5,537	294	19,597	23,314	49,056
Other receivables	1,274	1,854	788	-	30,930	-	34,846
Cash and bank balances	11,984	891	998	-	5,692	-	19,565
	215,649	117,626	106,987	7,888	289,981	23,314	741,445
31.12.2012							
LAR:							
Fixed and call deposits with licensed financial institutions	24,715	-	-	-	-	-	24,715
Reinsurance assets	223	-	-	-	-	-	223
Insurance receivables	-	-	-	-	16,771	-	16,771
Other receivables	-	-	-	-	63	-	63
Cash and bank balances	8,555	-	-	-	-	-	8,555
	33,493	-	-	-	16,834	-	50,327

13. ACCOUNTANTS' REPORT (Cont'd)

- I TIH GROUP
- 4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.35 Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	Neither impaired nor past-due					Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000		
31.12.2010							
Reinsurance assets	228	-	-	-	-	-	228
Insurance receivables	-	-	-	-	26,806	-	26,806
Cash and bank balances	456	-	-	-	-	456	456
	684	-	-	-	26,806	-	27,490
31.12.2009							
Reinsurance assets	154	-	-	-	-	-	154
Insurance receivables	-	-	-	-	17,503	-	17,503
Cash and bank balances	677	-	-	-	-	677	677
	831	-	-	-	17,503	-	18,334

Age analysis of financial assets past-due but not impaired

	Past due but not impaired					Total RM'000
	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	More than 180 days RM'000	
30.09.2012						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	5,033	1,743	1,419	598	3,431	12,224
Due from reinsurers and cedants	1,118	873	435	864	7,800	11,990
	6,151	2,616	1,854	1,462	11,231	23,314

13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.35 Financial risks (cont'd.)****(b) Liquidity risk**

Liquidity risk is the risk where the TIH Group is unable to meet its obligations in a timely manner at a reasonable cost at any time. The TIH Group maintains a large tranche of liquid asset instruments, primarily bank deposits and Malaysian Government Securities, to ensure high liquidity.

Maturity profiles

The table below summarises the maturity profile of the financial assets and liabilities of the TIH Group based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
30.09.2012						
LAR:						
Fixed and call deposits with licensed financial institutions	320,054	322,981	-	-	-	322,981
Loans receivable:						
Staff mortgage loans	725	2	34	689	-	725
Other staff loans:						
Secured	28	7	21	-	-	28
Secured	39	39	-	-	-	39
AFS financial assets:						
Equity securities	10,178	-	-	-	10,178	10,178
Unit and Property trust funds	18,421	-	-	-	18,421	18,421
Debt securities	132,873	24,548	106,429	16,671	-	147,548
Reinsurance assets	184,259	34,992	75,085	31,868	42,314	184,259
Insurance receivables	49,056	49,056	-	-	-	49,056
Other receivables	34,846	6,349	-	260	28,237	34,846
Cash and bank balances	19,565	19,565	-	-	-	19,565
	770,044	457,539	181,569	49,488	99,150	787,746
Insurance contract liabilities	486,009	127,691	196,855	49,886	111,577	486,009
Borrowings	130,925	130,925	-	-	-	130,925
Insurance payables	47,977	47,977	-	-	-	47,977
Retirement benefits	1,392	60	579	753	-	1,392
Other payables	72,490	66,144	797	-	5,549	72,490
	738,793	372,797	198,231	50,639	117,126	738,793
Liquidity gap	31,251	84,742	(18,662)	(1,151)	(17,976)	48,953

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.35 Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

31.12.2011

LAR:

Fixed and call deposits with licensed financial institutions
 Reinsurance assets
 Insurance receivables
 Other receivables
 Cash and bank balances

Insurance contract liabilities
 Insurance payables
 Other payables

Liquidity gap

31.12.2010

Reinsurance assets
 Insurance receivables
 Cash and bank balances

Insurance contract liabilities
 Insurance payables
 Other payables

Liquidity gap

31.12.2009

Reinsurance assets
 Insurance receivables
 Cash and bank balances

Insurance contract liabilities
 Insurance payables
 Other payables

Liquidity gap

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
	24,715	24,715	-	-	-	24,715
	223	223	-	-	-	223
	16,771	16,771	-	-	-	16,771
	63	63	-	-	-	63
	8,555	8,555	-	-	-	8,555
	50,327	50,327	-	-	-	50,327
	10,481	10,481	-	-	-	10,481
	156	156	-	-	-	156
	17,944	17,944	-	-	-	17,944
	28,581	28,581	-	-	-	28,581
	21,746	21,746	-	-	-	21,746
	228	228	-	-	-	228
	26,806	26,806	-	-	-	26,806
	456	456	-	-	-	456
	27,490	27,490	-	-	-	27,490
	9,465	9,465	-	-	-	9,465
	1,397	1,397	-	-	-	1,397
	58	58	-	-	-	58
	10,920	10,920	-	-	-	10,920
	16,570	16,570	-	-	-	16,570
	154	154	-	-	-	154
	17,503	17,503	-	-	-	17,503
	677	677	-	-	-	677
	18,334	18,334	-	-	-	18,334
	6,552	6,552	-	-	-	6,552
	358	358	-	-	-	358
	91	91	-	-	-	91
	7,001	7,001	-	-	-	7,001
	11,333	11,333	-	-	-	11,333

13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.35 Financial risks (cont'd.)****(b) Liquidity risk (cont'd.)**

The table below summarises the expected utilisation or settlement of assets

	Current* RM'000	Non- current RM'000	Total RM'000
30.09.2012			
Property and equipment	-	10,052	10,052
Investment property	-	2,401	2,401
Intangible assets	-	143	143
Goodwill	-	29,818	29,818
Investments:			
LAR	320,054	-	320,054
Fixed and call deposits with licensed financial institutions			
Loans receivable:			
Staff mortgage loans	2	723	725
Other staff loans:			
Secured	18	21	39
AFS financial assets			
Equity securities	-	10,178	10,178
Unit and property trust funds	-	18,421	18,421
Debt securities	9,773	123,100	132,873
Reinsurance assets	34,992	149,267	184,259
Insurance receivables	49,056	-	49,056
Other receivables	6,349	28,497	34,846
Cash and bank balances	19,565	-	19,565
	439,809	372,621	812,430
31.12.2011			
Property and equipment	-	3	3
Investments:			
LAR	24,715	-	24,715
Reinsurance assets	223	-	223
Insurance receivables	16,771	-	16,771
Other receivables	63	-	63
Cash and bank balances	8,555	-	8,555
	50,327	3	50,330
31.12.2010			
Property and equipment	-	4	4
Investments:			
LAR	228	-	228
Reinsurance assets	28,808	-	28,808
Insurance receivables	458	-	458
Cash and bank balances	27,490	4	27,494

13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.35 Financial risks (cont'd.)****(b) Liquidity risk (cont'd.)**

The table below summarises the expected utilisation or settlement of assets (cont'd.)

31.12.2009	Current* RM'000	Non- current RM'000	Total RM'000
Reinsurance assets	154	-	154
Insurance receivables	17,503	-	17,503
Cash and bank balances	677	-	677
	<u>18,334</u>	<u>-</u>	<u>18,334</u>

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

(c) Market risk

Market risk arises with changes in equity and bond prices. This risk is mitigated through proper initial and continuous credit evaluation of bonds and shares respectively, purchase of high grade shares and bonds, and constant watch on investment portfolio for adverse changes and opportunities.

Credit risk, especially settlement risk is mitigated with proper credit monitoring of bonds held.

Fund managers' performance are monitored constantly, parameters are prescribed to fund managers according to the TIH Group's risk appetite on purchase of equity, bonds and unit trusts, and by placing limits on categories of purchase.

Holding of unquoted shares is progressively reduced, with an emphasis on risk and return.

Equity price risk

Management's best estimate of the effect on the net income for the year and equity due to a reasonably possible change in the FTSE Bursa Malaysia KLCI Index ("FBM KLCI") with all other variables held constant is indicated in the table below:

13. ACCOUNTANTS' REPORT (Cont'd)

- I TIH GROUP
- 4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.35 Financial risks (cont'd.)

(c) Market risk (cont'd.)

Equity price risk (cont'd.)

30.09.2012			
Market indices:			
FBMKLCI	+10	Effect on net income for the period RM'000	2,132
FBMKLCI	-10	Effect on equity RM'000	(2,132)

Interest rate risk

The TIH Group's exposure to interest rate risk arises primarily from their borrowings and investments in debt securities classified as available-for-sale. The interest and capital value of the latter may be affected by changes in the interest yield curve. The TIH Group has an investment policy that investments are made at competitive interest rates.

Sensitivity analysis:

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income or loss and impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

30.09.2012			
Interest rates			
Variable interest rate borrowings	+ 100 bps	Effect on net income for the year RM'000	55
Investments in debt securities classified as available-for-sale	+ 100 bps	Effect on equity RM'000	(5,128)
			<u>(5,073)</u>
Interest rates			
Variable interest rate borrowings	- 100 bps	Effect on net income for the year RM'000	(55)
Investments in debt securities classified as available-for-sale	- 100 bps	Effect on equity RM'000	4,975
			<u>4,920</u>

13. ACCOUNTANTS' REPORT (Cont'd)

- I TIH GROUP
 4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.35 Financial risks (cont'd.)**(c) Market risk (cont'd.)****Foreign currency risk**

The TIH Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The TIH Group's exposure to foreign currency is as follows:

Group	Audited		
	30.09.2012 RM'000	31.12.2011 RM'000	31.12.2009 RM'000
Insurance receivables:			
Thailand	2,178	714	-
Indonesian Rupiah	1,444	394	-
Singapore Dollar	849	206	-
Macau Pataca	210	27	-
Hong Kong Dollar	701	59	-
United States Dollar	31	9	-
Philippines Peso	241	5	-
China Yuan Renminbi	507	-	-
	6,161	1,414	-
Cash and bank balances:			
United States Dollar	224	259	-

Sensitivity analysis:

A 5% strengthening / weakening of the Ringgit Malaysia against the foreign currencies as at the end of 30 September 2012 would have increased / decreased net profit by approximately RM323,000. This assumes that all other variables remain constant.

13. ACCOUNTANTS' REPORT (Cont'd)

- 1 TIH GROUP
4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.36 Fair values of financial assets and liabilities

The TIH Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	Valuation technique using			Total RM'000
	Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un- observable inputs (Level 3) RM'000	
AFS financial assets:				
30.09.2012				
Equity securities:				
Quoted in Malaysia	10,003	-	-	10,003
Unit and property trust funds:				
Quoted in Malaysia	18,421	-	-	18,421
Debt securities:				
Quoted in Malaysia	-	132,873	-	132,873
	28,424	132,873	-	161,297

The TIH Group did not have any financial assets/liabilities carried at fair value at the end of comparative financial years/period.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.37 Capital management

The TIH Group's capital management objective is to ensure that the TIH Group creates value for its shareholders while minimising the potential adverse effects on the performance of the TIH Group.

The TIH Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the TIH Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial period/years ended 31 December 2009, 2010 and 2011 and for the nine-month period ended 30 September 2012.

TIH is not subject to any externally imposed capital requirements.

The Labuan subsidiaries are required to comply with the capital requirements stipulated under the Guidelines on application for License - Insurance and Insurance Related Activities ("the Guideline"), as issued by the Labuan Financial Services Authority. Whereas, TIMB is required to meet the minimum capital adequacy requirements as prescribed by the RBC Framework. The status of compliance of the subsidiaries with the Guideline and RBC Framework above are disclosed in Note 4.5.32 of Section I - TIH Group.

13. ACCOUNTANTS' REPORT (Cont'd)**I TIH GROUP****4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.38 Segmental information**

The Group is organised into four major business segments, investment holding, general reinsurance, life reinsurance and general insurance business. The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business based on negotiated and mutual terms.

(a) Business segment:**Audited
For the nine-month period ended 30 September 2012**

	Investment holding RM'000	General reinsurance business RM'000	Life reinsurance business RM'000	General insurance business RM'000	Adjustments and elimination RM'000	Consolidated RM'000
Operating revenue	106	49,252	771	87,364	(1,338)	136,155
External inter-segment	10,000	-	-	-	(10,000)	-
	10,106	49,252	771	87,364	(11,338)	136,155
Results						
Gross earned premiums	-	48,862	544	80,964	(1,338)	129,032
Premiums ceded to reinsurers	-	(882)	-	(26,042)	1,338	(25,586)
Net earned premiums	-	47,980	544	54,922	-	103,446
Investment income	10,106	390	227	6,400	(10,000)	7,123
Realised gains and losses	-	-	-	3,838	-	3,838
Fees and commission income	-	-	-	4,279	(647)	3,632
Other operating income	-	-	1	102	-	103
Other revenue	10,106	390	228	14,619	(10,647)	14,696
Gross claims paid	-	(1,287)	(5)	(80,438)	-	(81,730)
Claims ceded to reinsurers	-	-	-	48,567	-	48,567
Gross changes to contract liabilities	-	(447)	(282)	(21,687)	-	(22,416)
Change in contract liabilities ceded to reinsurers	-	-	-	20,203	-	20,203
Net claims	-	(1,734)	(287)	(33,355)	-	(35,376)
Fee and commission expense	-	(14,877)	(197)	(9,119)	647	(23,546)
Management expenses	(2,000)	(4,961)	(671)	(9,065)	-	(16,699)
Other operating expenses	-	-	-	-	(881)	(2,881)
Finance costs	(5,843)	(364)	(364)	-	(586)	(7,157)
Other expenses	(9,843)	(20,202)	(1,232)	(18,184)	(820)	(50,283)
Profit/(loss) before taxation	261	26,434	(747)	18,002	(11,467)	32,483
Taxation	-	(40)	-	(4,576)	-	(4,616)
Net profit/(loss) for the period	261	26,394	(747)	13,426	(11,467)	27,867

13. ACCOUNTANTS' REPORT (Cont'd)

- I TIH GROUP
4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.38 Segmental information (cont'd.)

(a) Business segment (cont'd.):

Audited As at 30 September 2012	Investment holding RM'000	General reinsurance business RM'000	Life reinsurance business RM'000	General insurance business RM'000	Adjust- ments and elimination RM'000	Consolidated RM'000
Assets						
Property and equipment	-	2	-	10,050	-	10,052
Investment property	-	-	-	2,401	-	2,401
Intangible assets	-	-	-	143	-	143
Investment in subsidiaries	198,751	-	-	-	(198,751)	-
Goodwill	-	-	-	-	29,818	29,818
Investments	8,253	14,521	10,000	449,544	-	482,318
Reinsurance assets	-	221	-	185,289	(1,251)	184,259
Insurance receivables	-	17,088	306	33,455	(1,793)	49,056
Other receivables	28	7,554	1,375	33,179	(7,290)	34,846
Cash and bank balances	8,164	5,205	137	6,059	-	19,565
Total assets	215,196	44,591	11,818	720,120	(179,267)	812,458
Equity						
Share capital	14,238	10,500	10,000	100,013	(120,513)	14,238
Share premium	-	-	-	3,335	(3,335)	-
Merger deficit	-	-	-	-	(13,838)	(13,838)
Available-for-sale reserves	-	-	-	5,056	(5,841)	(785)
Retained earnings	14,005	21,124	(1,079)	64,801	(55,700)	43,151
Equity attributable to owners of the parent	28,243	31,624	8,921	173,205	(199,227)	42,766
Non-controlling interests	-	-	-	-	29,695	29,695
Total equity	28,243	31,624	8,921	173,205	(169,532)	72,461
Liabilities						
Insurance contract liabilities	-	11,198	283	475,779	(1,251)	486,009
Deferred tax liabilities	-	40	-	608	-	608
Provision for taxaton	-	-	-	-	(40)	-
Borrowings	130,925	-	-	-	-	130,925
Insurance payables	-	129	1,304	48,486	(1,942)	47,977
Retirement benefits	-	-	-	1,392	-	1,392
Other payables	56,028	1,600	1,310	20,650	(7,098)	72,490
Total liabilities	186,953	12,967	2,897	546,915	(10,331)	739,401
Total equity and liabilities	215,196	44,591	11,818	720,120	(179,863)	811,862

13. ACCOUNTANTS' REPORT (Cont'd)

- I TIH GROUP
 4. FINANCIAL STATEMENTS OF TIH GROUP (CONTO.)
 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTO.)

4.5.38 Segmental information (cont'd.)

(a) Business segment (cont'd.) :

Unaudited
 For the nine-month period ended 30 September 2011

Operating revenue	Investment holding RM'000	General reinsurance business RM'000	Life reinsurance business RM'000	General insurance business RM'000	Adjustments and elimination RM'000	Consolidated RM'000
External	-	40,149	-	-	-	40,149
Inter-segment	-	-	-	-	-	-
	-	40,149	-	-	-	40,149
	-	(759)	-	-	-	(759)
	-	39,390	-	-	-	39,390
	-	(623)	-	-	-	(623)
	-	(103)	-	-	-	(103)
	-	(726)	-	-	-	(726)
	-	(12,794)	-	-	-	(12,794)
	-	(135)	-	-	-	(135)
	-	(12,929)	-	-	-	(12,929)
	-	25,735	-	-	-	25,735
	-	(20)	-	-	-	(20)
	-	25,715	-	-	-	25,715

Results

Gross earned premiums	
Premiums ceded to reinsurers	
Net earned premiums	
Gross claims paid	
Gross changes to contract liabilities	
Net claims	
Fee and commission expense	
Management expenses	
Other expenses	
Profit before taxation	
Taxation	
Net profit for the period	

13. ACCOUNTANTS' REPORT (Cont'd)

I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

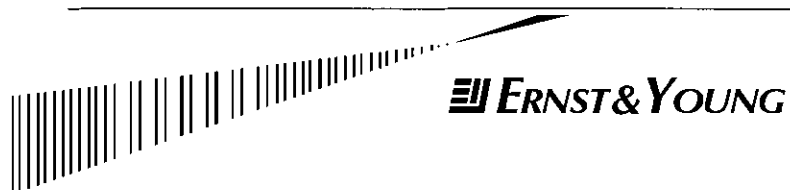
4.5.38 Segmental information (cont'd.)

(a) Business segment (cont'd.):

Audited As at 31 December 2011	Investment holding		General reinsurance business		Life reinsurance business		General insurance business		Adjustments and elimination		Consolidated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets												
Property and equipment	-	3	-	-	-	-	-	-	-	-	3	-
Investment in subsidiaries	14,238	-	-	-	-	-	-	-	(14,238)	-	-	-
Investments	-	14,563	-	10,152	-	-	-	-	-	-	24,715	-
Reinsurance assets	-	223	-	-	-	-	-	-	-	-	223	-
Insurance receivables	-	16,771	-	-	-	-	-	-	-	-	16,771	-
Other receivables	5,625	32	-	31	-	-	-	-	(5,625)	-	63	-
Cash and bank balances	8,130	415	-	10	-	-	-	-	-	-	8,555	-
Total assets	27,993	32,007	-	10,193	-	-	-	-	(19,863)	-	50,330	-
Equity												
Share capital	14,238	500	-	-	-	-	-	-	(500)	-	14,238	-
Merger deficit	-	-	-	-	-	-	-	-	(13,838)	-	(13,838)	-
Retained earnings	13,744	7,524	-	(39)	-	-	-	-	(1,531)	-	19,698	-
Equity attributable to owners of the parent	27,982	8,024	-	(39)	-	-	-	-	(15,869)	-	20,098	-
Non-controlling interests	-	-	-	-	-	-	-	-	1,631	-	1,631	-
Total equity	27,982	8,024	-	(39)	-	-	-	-	(14,238)	-	21,729	-
Liabilities												
Insurance contract liabilities	-	10,481	-	-	-	-	-	-	-	-	10,481	-
Provision for taxation	-	20	-	-	-	-	-	-	-	-	20	-
Insurance payables	-	156	-	-	-	-	-	-	-	-	156	-
Other payables	11	13,326	-	10,232	-	-	-	-	(5,625)	-	17,944	-
Total liabilities	11	23,983	-	10,232	-	-	-	-	(5,625)	-	28,601	-
Total equity and liabilities	27,993	32,007	-	10,193	-	-	-	-	(19,863)	-	50,330	-

There is no segmental information provided for financial results of the TIH Group for the period years ended 31 December 2009 to 2011 as the financial results generated from activities other than travel insurance / reinsurance business are insignificant.

13. ACCOUNTANTS' REPORT (Cont'd)

**I TIH GROUP****4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.39 Comparatives**

The acquisition of the 100% equity interest in TMGR and TMLR on 1 August 2011 and the 80% equity interest in TIL on 19 September 2011 have been accounted for using the merger method of accounting. Accordingly, the results, cash flows and the financial position of the TIH Group have been stated as if the subsidiaries have been combined with the TIH Group throughout the current and previous accounting periods, since 27 March 2009, which is the earliest date from which an entity within the TIH Group was incorporated i.e. TIL.

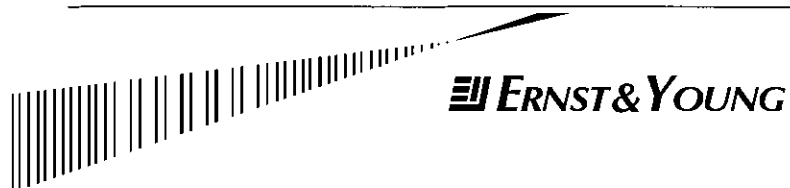
Accordingly, the first financial statements of the TIH Group have been prepared for the financial period from 27 March 2009 (being the date of incorporation of TIL) to 31 December 2009. Accordingly, the results, cash flows and related notes of the TIH Group for the financial period ended 31 December 2011 have not been prepared in respect of comparable financial periods compared to 31 December 2010 and 31 December 2011.

Summary of changes to the previously issued audited financial statements**Restatements**

The adoption of MFRS has no impact on the opening statement of financial position as at 27 March 2009.

However, the following adjustments were made to the previously prepared FRS statements of comprehensive income for the financial period from 27 March 2009 to 31 December 2009, and the financial years ended 31 December 2010 and 2011 and statements of financial position as at 31 December 2009, 2010 and 2011. The previously reported balances of the TIH Group referred to in this Note, for the financial period ended 31 December 2009 and financial year ended 31 December 2010 relate to those of TIL, as earlier explained, and for 31 December 2011, the TIH Group:

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

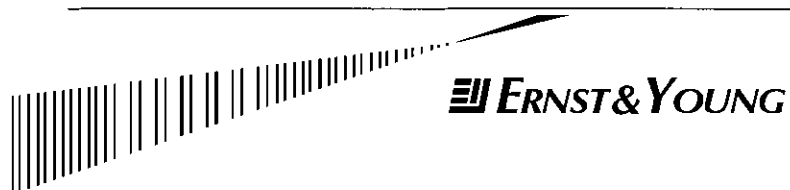
4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.39 Comparatives (cont'd.)

31 December 2009

TIH Group		As previously reported RM'000	Re- statement RM'000	Restated RM'000
Statement of comprehensive income				
For the financial period from 27				
March 2009 (date of incorporation)				
to 31 December 2009				
Gross earned premiums	1(a)	27,558	2,491	30,049
Gross change to contract liabilities	1(b)	(100)	(825)	(925)
Fee and commission expense	1(c)	(8,571)	(2,491)	(11,062)
Statement of financial position				
As at 31 December 2009				
Reinsurance assets	1(d)	-	154	154
Due from cedant	1(e)	12,030	5,473	17,503
Insurance contract liabilities	1(f)	-	6,552	6,552
Insurance payables	1(g)	424	(66)	358
Other payables	1(h)	125	(34)	91
Share capital	1(i)	500	(500)	-
Merger reserve	1(j)	-	400	400
Retained earnings	1(k)	11,638	(2,988)	8,650
Non-controlling interests	1(l)	-	2,263	2,263

13. ACCOUNTANTS' REPORT (Cont'd)



1 TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.39 Comparatives (cont'd.)

Summary of changes to the previously issued audited financial statements (cont'd.)

Restatements (cont'd.)

31 December 2009 (cont'd.)

The details of the restatements are provided below:

1(a) Gross earned premiums

In deriving gross earned premiums, the related premium liabilities have now been estimated, including allowing for commission deductions at the period end.

1(b) Gross change to contract liabilities

Adjustment for recognition for provision of IBNR claims at the period end.

1(c) Fee and commission expense

Effect arising from item disclosed in 1(a) above.

1(d) Reinsurance assets

Adjustment to recognise reinsurance assets as result of grossing up of insurance contract liabilities.

1(e) Due from cedants

Adjustments for under recognition of gross written premium and reinsurance premium and effect arising from item disclosed in 1(c) above.

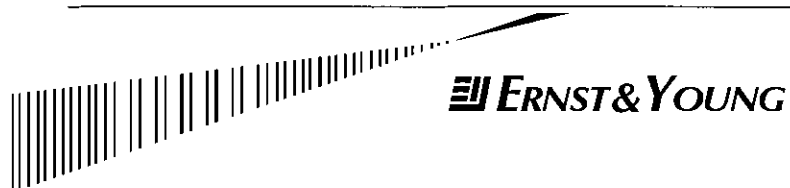
1(f) Insurance contract liabilities

Effect arising from items disclosed in 1(a), 1(d) and 1(e) above and reclassification of provision for claims outstanding from other payables.

1(g) Insurance payables

Adjustment for reclassification of reimbursable Insurance Guarantee Scheme Fund Levies payable to a ceding company.

13. ACCOUNTANTS' REPORT (Cont'd)



1 TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.39 Comparatives (cont'd.)

Summary of changes to the previously issued audited financial statements (cont'd.)

Restatements (cont'd.)

31 December 2009 (cont'd.)

1(h) Other payables

Effect arising from items disclosed in 1(f) and 1(g) above.

1(i) Share capital

Adjustment for the application of merger method of accounting.

1(j) Merger reserve

Adjustment for the application of merger method of accounting.

1(k) Retained earnings

Effect arising from items disclosed in 1(a) to 1(c) above.

1(l) Non-controlling interests

Adjustment for the application of merger method of accounting.

31 December 2010

TIH Group		As previously reported RM'000	Re- statement RM'000	Restated RM'000
Statement of comprehensive income				
For the financial year ended				
31 December 2010				
Gross earned premiums	2(a)	42,253	1,270	43,523
Premiums ceded to reinsurers	2(b)	(877)	74	(803)
Gross change to contract liabilities	2(c)	(4)	(298)	(302)
Fee and commission expense	2(d)	(13,203)	(1,270)	(14,473)

13. ACCOUNTANTS' REPORT (Cont'd)



- 1 TIH GROUP
4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.39 Comparatives (cont'd.)

Summary of changes to the previously issued audited financial statements (cont'd.)

Restatements (cont'd.)

31 December 2010 (cont'd.)

TIH Group		As previously reported RM'000	Re- statement RM'000	Restated RM'000
Statement of financial position				
As at 31 December 2010				
Reinsurance assets	2(e)	-	228	228
Due from cedant	2(f)	18,796	8,010	26,806
Insurance contract liabilities	2(g)	-	9,465	9,465
Insurance payables	2(h)	1,471	(74)	1,397
Other payables	2(i)	162	(104)	58
Share capital	2(j)	500	(500)	-
Merger reserve	2(k)	-	400	400
Retained earnings	2(l)	17,103	(4,260)	12,843
Non-controlling interests	2(m)	-	3,311	3,311

The details of the restatements are provided below:

2(a) Gross earned premiums

In deriving gross earned premiums, the related premium liabilities have now been estimated, including allowing for commission deductions at the year end.

2(b) Premiums ceded to reinsurers

Adjustment to recognise premiums ceded to reinsurers on grossed up basis.

2(c) Gross change to contract liabilities

Adjustment for recognition for provision of IBNR claims at the period end.

2(d) Fee and commission expense

Effect arising from item disclosed in 2(a) above.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.39 Comparatives (cont'd.)

Summary of changes to the previously issued audited financial statements (cont'd.)

Restatements (cont'd.)

31 December 2010 (cont'd.)

2(e) Reinsurance assets

Adjustment to recognise reinsurance assets as result of grossing up of insurance contract liabilities.

2(f) Due from cedants

Adjustments for under recognition of gross written premium and reinsurance premium and effect arising from item disclosed in 2(d) above.

2(g) Insurance contract liabilities

Effect arising from items disclosed in 1(b), 2(c), 2(e) and 2(f) above and reclassification of provision for outstanding claims from other payables.

2(h) Insurance payables

Adjustments for over recognition of reinsurance premium payable.

2(i) Other payables

Adjustments for reclassification of provision for outstanding claims to insurance contract liabilities.

2(j) Share capital

Adjustment for the application of merger method of accounting.

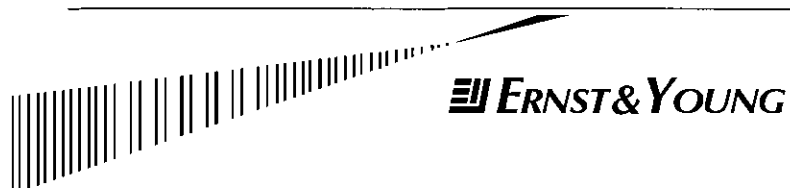
2(k) Merger reserve

Adjustment for the application of merger method of accounting.

2(l) Retained earnings

Effect arising from items disclosed in 1(a) to 1(c) and 2(a) to 2(d) above.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.39 Comparatives (cont'd.)

Summary of changes to the previously issued audited financial statements (cont'd.)

Restatements (cont'd.)

31 December 2010 (cont'd.)

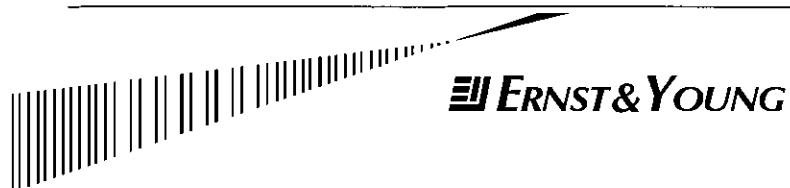
2(m) Non-controlling interests

Adjustment for the application of merger method of accounting.

31 December 2011

TIH Group		As previously reported RM'000	Re- statement RM'000	Restated RM'000
Statement of comprehensive income				
For the financial year ended				
31 December 2011				
Gross earned premiums	3(a)	15,645	39,848	55,493
Premiums ceded to reinsurers	3(b)	(281)	(782)	(1,063)
Other operating income	3(c)	-	26	26
Gross claims paid	3(d)	(703)	(420)	(1,123)
Gross change to contract liabilities	3(e)	-	(819)	(819)
Fee and commission expense	3(f)	(5,188)	(12,104)	(17,292)
Management expenses	3(g)	(1,305)	(99)	(1,404)
Taxation	3(h)	-	(20)	(20)
Statement of financial position				
As at 31 December 2011				
Reinsurance assets	3(i)	-	223	223
Due from cedant	3(j)	9,450	7,321	16,771
Other receivables	3(k)	3,053	(2,990)	63
Insurance contract liabilities	3(l)	1,311	9,170	10,481
Insurance payables	3(m)	207	(51)	156
Other payables	3(n)	21,395	(3,451)	17,944
Merger deficit	3(o)	-	(13,838)	(13,838)
Retained earnings	3(p)	6,675	13,023	19,698
Non-controlling interests	3(q)	1,930	(299)	1,631

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.39 Comparatives (cont'd.)

Summary of changes to the previously issued audited financial statements (cont'd.)

Restatements (cont'd.)

31 December 2011 (cont'd.)

The details of the restatements are provided below:

3(a) Gross earned premiums

In deriving gross earned premiums, the related premium liabilities have now been estimated, including allowing for commission deductions at the year end.

In addition, adjustment for the application of merger method of accounting has been applied, instead of acquisition accounting as previously reported.

3(b) Premiums ceded to reinsurers

Adjustment to recognise premiums ceded to reinsurers on grossed up basis and application of merger method of accounting.

3(c) Other operating income

Application of merger method of accounting.

3(d) Gross claims paid

Application of merger method of accounting.

3(e) Gross change to contract liabilities

Adjustment for recognition for provision of IBNR claims at the period end and application of merger method of accounting.

3(f) Fee and commission expense

Effect arising from item disclosed in 3(a) above and application of merger method of accounting.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.39 Comparatives (cont'd.)

Summary of changes to the previously issued audited financial statements (cont'd.)

Restatements (cont'd.)

31 December 2011 (cont'd.)

3(g) Management expenses

Adjustments for recognition of directors fee payable, reversal of reimbursable Insurance Guarantee Scheme Fund Levies payable to a ceding company, reclassification of travelling expenses from other operating expenses to management expenses, recognition of withholding and foreign tax on the commission paid to the foreign ceding companies and application of merger method of accounting.

3(h) Taxation

Application of merger method of accounting.

3(i) Reinsurance assets

Adjustment to recognise reinsurance assets as result of grossing up of insurance contract liabilities and application of merger method of accounting.

3(j) Due from cedants

Adjustments for under recognition of gross written premium and reinsurance premium and effect arising from item disclosed in 3(f) above and application of merger method of accounting.

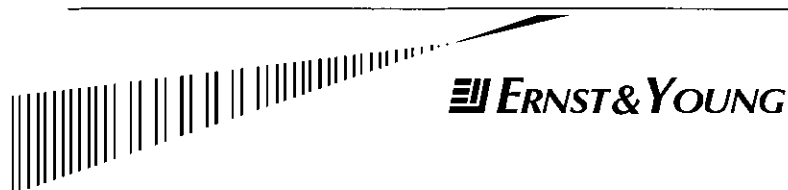
3(k) Other receivables

Application of merger method of accounting.

3(l) Insurance contract liabilities

Effect arising from items disclosed in 1(b), 2(c), 3(e), 3(i) and 3(j) above, reclassification of provision for outstanding claims from other payables and application of merger method of accounting.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.39 Comparatives (cont'd.)

Summary of changes to the previously issued audited financial statements (cont'd.)**Restatements (cont'd.)****31 December 2011 (cont'd.)****3(m) Insurance payables**

Adjustments for under recognition of reinsurance premium and application of merger method of accounting.

3(n) Other payables

Adjustments for recognition of directors fee payable, reversal of reimbursable Insurance Guarantee Scheme Fund Levies payable to a ceding company, reclassification of provision for outstanding claims to insurance contract liabilities and application of merger method of accounting.

3(o) Merger deficit

Adjustment for the application of merger method of accounting.

3(p) Retained earnings

Effect arising from items disclosed in 1(a) to 1(c), 2(a) to 2(d) and 3(a) to 3(h) above.

3(q) Non-controlling interests

Adjustment for the application of merger method of accounting.

4.5.40 Subsequent events***Share split***

On 4 October 2012, the Company implemented a share split of the par value of the Company shares whereby each existing ordinary share of RM1.00 each in the Company is subdivided into 10 ordinary shares of RM0.10 each. Upon the completion of the share split, the issued and paid up share capital of the Company stood at RM14,238,508 comprising 142,385,080 ordinary shares of RM0.10 each.

Capitalisation of advances from holding company

On 4 October 2012, the Company increased its issued and fully paid share capital from RM14,238,508 to RM60,838,508 via the capitalisation of advances from holding company of 466,000,000 new ordinary shares of RM0.10 each to the shareholders of the Company. The new ordinary shares issued during the period ended 30 September 2012 ranked pari passu with the shares in issue at the date of issuance.

13. ACCOUNTANTS' REPORT (Cont'd)



I TIH GROUP

4. FINANCIAL STATEMENTS OF TIH GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.40 Subsequent events (cont'd.)

Call option

On 20 April 2012, the Company and TMSB entered into a call option agreement with AirAsia Berhad whereby the Company and TMSB agreed to grant to AirAsia Berhad an option to acquire up to 20% of the issued and paid-up share capital of the Company at the time the call option is exercised from TMSB for a purchase consideration computed based on the net asset value of the Company at the time of exercise of the option (subject to a maximum purchase consideration of RM16.0 million) to be satisfied in cash.

On 11 October 2012, AirAsia Berhad has exercised its right under the call option agreement to purchase 121,677,000 ordinary shares of RM0.10 each in the Company, for a consideration of RM16.0 million, which represents 20% of the Company's issued and paid up share capital of 608,385,080 shares as at 11 October 2012.

13. ACCOUNTANTS' REPORT *(Cont'd)*



SECTION II
TIMB GROUP

13. ACCOUNTANTS' REPORT (Cont'd)**II TIMB GROUP****1. GROUP STRUCTURE**

The Company is engaged principally in the underwriting of all classes of general insurance business.

The structure of the TIMB Group as at 30 September 2012 was as follows:

1.1 SUBSIDIARY

Details of the subsidiary is as follows:

Name of subsidiary	Date of incorporation	Country of incorporation	Principal activities	Proportion of ownership interest (%)	
				30.09.2012	31.12.2011 31.12.2010 31.12.2009
1. Capital OCA Berhad	10 Feb 1971	Malaysia	Dormant	100.00	100.00 100.00 100.00

1.2 ASSOCIATES

The TIMB Group did not have any associates as at 31 December 2009, 2010, 2011 and 30 September 2012.

2. FINANCIAL STATEMENTS AND AUDITORS

Ernst & Young Malaysia (AF: 0039) audited the financial statements of the TIMB Group for the FYE 31 December 2009, 2010, 2011 and for the nine-month period ended 30 September 2012. Such financial statements were prepared in accordance with FRS in Malaysia. The independent auditors' reports issued in respect of the above financial statements were not subject to any qualification.

For the purposes of the submission of the proposed listing scheme of TIH to the Securities Commission Malaysia, Ernst & Young (AF: 0039) have been appointed to conduct a special purpose audit on the financial statements of TIMB Group for the FYE 31 December 2009, 2010, 2011 and for the nine-month period ended 30 September 2012 in accordance with Approved Standards on Auditing in Malaysia. The financial information presented in this report were derived from the audited financial statements of TIMB Group, as audited by us for FYE 31 December 2009, 2010, 2011 and for the nine-month period ended 30 September 2012 and have been prepared using the MFRS. Our audit opinions in respect of the said financial years were unqualified.

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

2. FINANCIAL STATEMENTS AND AUDITORS (CONT'D.)

The nine-month comparatives for the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended 30 September 2011 which have been included in the audited financial statements for the nine-month period ended 30 September 2012 in accordance with MFRS 134: Interim Financial Reporting have not been audited by us or any other independent auditors.

3. BASIS OF PREPARATION

The financial information of the TIMB Group as set out in the following sections are extracted from the financial statements for the relevant financial years covered in this report. These financial statements have been audited by Ernst & Young Malaysia for the purposes of the proposed listing.

The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

The presentation currency of TIMB Group is RM.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP

4.1 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The consolidated statements of financial position of TIMB Group based on its audited financial statements for the financial years ended 31 December 2009, 2010 and 2011 and the nine-month period ended 30 September 2012, are as follows:

Group	Note	<----- Audited ----->			
		30.09.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Assets					
Property and equipment	4.5.1	10,049	10,267	12,433	12,721
Investment property	4.5.2	2,401	2,417	2,439	2,460
Intangible assets	4.5.3	143	153	115	216
Investment in subsidiary	4.5.4	-	-	-	-
Investments	4.5.5	449,544	430,686	384,157	336,418
Reinsurance assets	4.5.6	185,289	157,966	183,333	277,282
Insurance receivables	4.5.7	33,455	36,805	36,630	37,636
Other receivables	4.5.8	33,179	22,825	17,346	18,362
Deferred tax assets	4.5.13	-	-	39	-
Cash and bank balances		6,059	5,152	3,142	7,907
Total assets		720,119	666,271	639,634	693,002
Equity					
Share capital	4.5.9	100,013	100,013	100,013	100,013
Share premium		3,335	3,335	3,335	3,335
Available-for-sale reserves		5,055	7,128	6,690	3,582
Retained earnings	4.5.10	64,801	51,505	25,252	15,061
Total equity		173,204	161,981	135,290	121,991
Liabilities					
Insurance contract liabilities	4.5.11	475,780	433,817	429,724	504,499
Retirement benefits	4.5.12	1,392	1,336	1,548	2,120
Deferred tax liabilities	4.5.13	608	1,266	-	901
Insurance payables	4.5.14	48,486	51,053	49,305	34,419
Other payables	4.5.15	20,649	16,818	23,767	29,072
Total liabilities		546,915	504,290	504,344	571,011
Total equity and liabilities		720,119	666,271	639,634	693,002

13. ACCOUNTANTS' REPORT (Cont'd)



ii TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The consolidated statements of comprehensive income of TIMB Group based on its audited financial statements for the financial years ended 31 December 2009, 2010 and 2011 and the nine-month period ended 30 September 2012, and unaudited statement of comprehensive income for the nine-month period ended 30 September 2011, are as follows:

Group	Note	Audited	Unaudited	<----- Audited ----->		
		01.01.2012 to 30.09.2012	01.01.2011 to 30.09.2011	01.01.2011 to 31.12.2011	01.01.2010 to 31.12.2010	01.01.2009 to 31.12.2009
		RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	4.5.16	201,110	181,029	263,461	257,266	238,874
Gross earned premiums	4.5.17(a)	187,802	169,519	245,770	244,146	226,280
Premiums ceded to reinsurers	4.5.17(b)	(74,228)	(68,309)	(89,345)	(121,484)	(117,387)
Net earned premiums		113,574	101,210	156,425	122,662	108,893
Investment income	4.5.18	13,308	11,510	17,691	13,120	12,594
Realised gains and losses	4.5.19	8,039	5,565	6,060	3,144	4,739
Fee and commission income		11,646	10,401	13,551	15,747	19,329
Other operating income	4.5.20	383	76	130	373	123
Other income		33,376	27,552	37,432	32,384	36,785
Gross claims paid	4.5.21(a)	(122,474)	(108,537)	(137,170)	(129,574)	(226,078)
Claims ceded to reinsurers	4.5.21(b)	58,492	48,485	55,849	47,533	141,960
Gross change to contract liabilities	4.5.21(c)	(48,702)	(21,307)	11,821	47,995	122,147
Change in contract liabilities ceded to reinsurers	4.5.21(d)	23,306	(1,439)	(38,444)	(58,084)	(125,844)
Net claims		(89,378)	(82,798)	(107,944)	(92,130)	(87,815)
Fee and commission expense		(19,864)	(19,228)	(26,010)	(23,831)	(25,466)
Management expenses	4.5.22	(19,788)	(19,206)	(22,782)	(23,229)	(23,868)
Other operating expenses	4.5.20	-	-	(2,150)	-	-
Other expenses		(39,652)	(38,434)	(50,942)	(47,060)	(49,334)
Profit before taxation		17,920	7,530	34,971	15,856	8,529
Taxation	4.5.23	(4,624)	(2,795)	(8,718)	(5,665)	(2,731)
Net profit for the period/year		13,296	4,735	26,253	10,191	5,798
Other comprehensive income:						
Movements in available-for-sale reserves:						
Gain on fair value changes of AFS investments		5,270	1,921	6,616	7,233	14,548
Realised gain transferred to profit or loss		(8,034)	(5,540)	(6,032)	(3,089)	(4,716)
Deferred tax relating to components of other comprehensive income		691	905	(146)	(1,036)	(2,459)
Other comprehensive income for the period/year, net of taxation		(2,073)	(2,714)	438	3,108	7,373
Total comprehensive income for the period/year		11,223	2,021	26,691	13,299	13,171
Earnings per share (sen)						
Basic	4.5.24	13.3	4.7	26.2	10.2	5.8

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The consolidated statements of changes in equity of TIMB Group based on its audited financial statements for the financial years ended 31 December 2009, 2010 and 2011 and the nine-month period ended 30 September 2012, and unaudited statement of changes in equity for the nine-month period ended 30 September 2011, are as follows:

Group	<- Non-distributable -> Available-			Dis-	Total equity RM'000
	Share capital RM'000	Share premium RM'000	for-sale reserves RM'000	tributable Retained earnings RM'000	
At 1 January 2009	100,013	3,335	(230)	5,702	108,820
Effect of adopting MFRS 139	-	-	(3,561)	3,561	-
At 1 January 2009 (restated)	100,013	3,335	(3,791)	9,263	108,820
Total comprehensive income for the year	-	-	7,373	5,798	13,171
At 31 December 2009	100,013	3,335	3,582	15,061	121,991
Total comprehensive income for the year	-	-	3,108	10,191	13,299
At 31 December 2010	100,013	3,335	6,690	25,252	135,290
Total comprehensive income for the year	-	-	438	26,253	26,691
At 31 December 2011	100,013	3,335	7,128	51,505	161,981
For the nine-month period ended 30 September 2012					
Audited:					
At 1 January 2012	100,013	3,335	7,128	51,505	161,981
Total comprehensive income for the period	-	-	(2,073)	13,296	11,223
At 30 September 2012	100,013	3,335	5,055	64,801	173,204
For the nine-month period ended 30 September 2011					
Unaudited:					
At 1 January 2011	100,013	3,335	6,690	25,252	135,290
Total comprehensive income for the period	-	-	(2,714)	4,735	2,021
At 30 September 2011	100,013	3,335	3,976	29,987	137,311

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GRDUP

4. FINANCIAL STATEMENTS OF TIMB GRDUP (CONT'D.)

4.4 CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIODS ENDED 30 SEPTEMBER 2012, YEARS ENDED 31 DECEMBER 2011, 2010 AND 2009

The consolidated statements of cash flows of TIMB Group based on its audited financial statements for the financial years ended 31 December 2009, 2010 and 2011 and the nine-month period ended 30 September 2012, and unaudited statement of cash flows for the nine-month period ended 30 September 2011, are as follows:

Group	Audited	Unaudited	<----- Audited ----->		
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	01.01.2009 to 31.12.2009 RM'000
Profit before taxation	17,920	7,530	34,971	15,856	8,529
Investment income	(13,313)	(11,569)	(17,716)	(13,293)	(12,647)
Realised gain on disposal of investments	(8,034)	(5,540)	(6,032)	(3,089)	(4,716)
Purchases of AFS financial assets	(45,055)	(36,107)	(52,225)	(55,018)	(85,224)
Proceeds from maturities/disposal of AFS financial assets	66,716	53,715	39,960	40,836	69,206
Proceeds from maturities/disposal of HTM financial assets	-	-	30,000	5,000	16,982
Increase in LAR	(8,021)	(40,522)	(56,998)	(42,520)	5,101
Non-cash items					
Gain on disposal of property and equipment	(5)	(25)	(28)	(55)	(23)
Depreciation of property and equipment	582	638	504	515	909
Depreciation of investment property	16	17	22	21	22
Amortisation of intangible assets	53	(186)	148	101	115
Impairment loss of property and equipment	-	-	2,150	-	-
Net amortisation of premiums on investment	5	59	25	173	53
Reversal of allowance for impairment losses of insurance receivables	(2,197)	(1,158)	(3,759)	(511)	(403)
Allowance for staff retirement gratuities	-	-	85	202	180
Changes in working capital:					
Reinsurance assets	(27,323)	(1,538)	25,367	93,949	123,129
Insurance receivables	5,547	2,190	3,584	1,156	(11,014)
Other receivables	2,305	3,762	(3,235)	2,098	(2,195)
Insurance contract liabilities	41,962	41,238	4,093	(74,775)	(109,194)
Insurance payables	(2,567)	(5,757)	1,748	9,372	(2,022)
Retirement benefits	333	380	-	-	-
Other payables	3,795	(2,833)	(6,949)	(1,218)	15,071
Cash generated from/(used in) operating activities	32,719	4,294	(4,285)	(21,200)	11,859
Net interest received	10,474	9,381	15,159	10,831	8,813
Net dividend received	1,172	1,408	1,858	908	1,011
Rental received	271	260	346	356	368
Retirement benefits paid	(277)	(215)	(297)	(774)	(1,287)
Income tax paid	(7,825)	(2,344)	(3,419)	(2,648)	10,621
Net cash flows generated from/(used in) operating activities	36,534	12,784	9,362	(12,527)	31,385

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D.)

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012 to 30.09.2012 RM'000	01.01.2011 to 30.09.2011 RM'000	01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	01.01.2009 to 31.12.2009 RM'000
Group					
Investing activities					
Proceeds from disposal of property and equipment	5	25	29	55	23
Purchase of property and equipment	(365)	(372)	(489)	(227)	(206)
Purchase of intangibles	-	-	(186)	-	(51)
Net cash flows used in investing activities	(360)	(347)	(646)	(172)	(234)
Net increase/(decrease) in cash and cash equivalents	36,174	12,437	8,716	(12,699)	31,151
Cash and cash equivalents at beginning of period/year	85,143	76,427	76,427	89,126	57,975
Cash and cash equivalents at end of period/year	121,317	88,864	85,143	76,427	89,126
Cash and cash equivalents comprise:					
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions	115,258	81,776	79,991	73,285	81,219
Cash and bank balances	6,059	7,088	5,152	3,142	7,907
	121,317	88,864	85,143	76,427	89,126

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.1 Property and equipment

Cost	Properties		Renovation RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
	Freehold land RM'000	Buildings on freehold land RM'000				
At 1 January 2009	9,263	4,271	1,994	1,802	16,734	34,064
Additions	-	-	78	-	128	206
Disposals	-	-	-	(189)	(1)	(190)
At 31 December 2009	9,263	4,271	2,072	1,613	16,861	34,080
Additions	-	-	3	-	224	227
Disposals	-	-	-	(576)	-	(576)
At 31 December 2010	9,263	4,271	2,075	1,037	17,085	33,731
Additions	-	-	138	78	273	489
Disposals	-	-	-	(160)	(108)	(268)
At 31 December 2011	9,263	4,271	2,213	955	17,250	33,952
Additions	-	-	135	-	230	365
Disposals	-	-	-	-	(925)	(925)
At 30 September 2012	9,263	4,271	2,348	955	16,555	33,392

13. ACCOUNTANTS' REPORT (Cont'd)
II TIMB GROUP
4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)
4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
4.5.1 Property and equipment (cont'd.)

	<----- Properties ----->					Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
	Freehold land RM'000	Buildings on freehold land RM'000	Renovation RM'000					
At 1 January 2009	-	1,678	1,796	1,772	15,394	20,640		
Charge for year	-	86	105	29	689	909		
Disposals	-	-	-	(189)	(1)	(190)		
At 31 December 2009	-	1,764	1,901	1,612	16,082	21,359		
Charge for year	-	84	78	-	353	515		
Disposals	-	-	-	(576)	-	(576)		
At 31 December 2010	-	1,848	1,979	1,036	16,435	21,298		
Charge for year	-	87	38	16	363	504		
Disposals	-	-	-	(160)	(107)	(267)		
Impairment loss during the year	2,150	-	-	-	-	2,150		
At 31 December 2011	2,150	1,935	2,017	892	16,691	23,685		
Charge for period	-	64	53	19	446	582		
Disposals	-	-	-	-	(924)	(924)		
At 30 September 2012	2,150	1,999	2,070	911	16,213	23,343		

Accumulated depreciation and impairment loss

At 1 January 2009	9,263	2,507	171	1	779	12,721
Charge for year	9,263	2,423	96	1	650	12,433
Disposals	7,113	2,336	196	63	559	10,267
At 30 September 2012	7,113	2,272	278	44	342	10,049

Net carrying amount

At 31 December 2009	9,263	2,507	171	1	779	12,721
At 31 December 2010	9,263	2,423	96	1	650	12,433
At 31 December 2011	7,113	2,336	196	63	559	10,267
At 30 September 2012	7,113	2,272	278	44	342	10,049

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.2 Investment property

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Freehold land and building:				
Cost				
At 1 January	2,665	2,665	2,665	2,665
Less: Accumulated depreciation	(264)	(248)	(226)	(205)
At 30 September/31 December	<u>2,401</u>	<u>2,417</u>	<u>2,439</u>	<u>2,460</u>
Fair value	<u>3,000</u>	<u>3,000</u>	<u>3,700</u>	<u>2,700</u>

The fair value is determined based on the discounted cash flow of the expected rental income from the investment property, which has been estimated using a valuation technique based on certain assumptions of rental income and discount rate. Management believes the estimated fair values resulting from the valuation technique are reasonable and the most appropriate at the reporting date.

4.5.3 Intangible assets

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Computer software				
Cost				
At 1 January	2,158	1,972	1,972	1,921
Additions	43	186	-	51
At 30 September/31 December	<u>2,201</u>	<u>2,158</u>	<u>1,972</u>	<u>1,972</u>
Accumulated amortisation				
At 1 January	2,005	1,857	1,756	1,641
Amortisation	53	148	101	115
At 30 September/31 December	<u>2,058</u>	<u>2,005</u>	<u>1,857</u>	<u>1,756</u>
Net carrying amount	<u>143</u>	<u>153</u>	<u>115</u>	<u>216</u>

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.4 Investment in subsidiary

TIMB	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Unquoted shares	-*	-*	-*	-*

* Denotes share capital of RM2

TIMB has a 100% interest (2011: 100%; 2010: 100%; 2009: 100%) in the subsidiary, Capital OCA Berhad, a company incorporated in Malaysia. The subsidiary company is dormant.

4.5.5 Investments

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Malaysian government securities	-	-	30,135	35,385
Debt securities	132,873	131,581	126,328	127,758
Equity securities	10,178	26,508	21,709	13,280
Unit and property trust funds	18,421	27,813	24,905	13,501
Loans	792	821	913	846
Deposits with financial institutions	287,280	243,963	180,167	145,648
	<u>449,544</u>	<u>430,686</u>	<u>384,157</u>	<u>336,418</u>

The TIMB Group's financial investments are summarised by categories as follows:

Group	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
HTM financial assets (Note (a))	-	-	30,135	35,385
LAR (Note (b))	288,072	244,784	181,080	146,494
AFS financial assets (Note (c))	161,472	185,902	172,942	154,539
	<u>449,544</u>	<u>430,686</u>	<u>384,157</u>	<u>336,418</u>

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.5 Investments (cont'd.)

(a) HTM financial assets

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
At amortised cost:				
Malaysian government securities	-	-	30,135	35,385
At fair value:				
Malaysian government securities	-	-	30,202	35,858

(b) LAR

At amortised cost:				
Fixed and call deposits with licensed financial institutions	287,280	243,963	180,167	145,648
Loans receivable:				
Staff mortgage loans	725	759	829	739
Other staff loans:				
Secured	28	46	68	89
Unsecured	39	16	16	18
	792	821	913	846
	<u>288,072</u>	<u>244,784</u>	<u>181,080</u>	<u>146,494</u>

Included in fixed and call deposits with licensed financial institutions are short term deposits with maturity periods of less than 3 months amounting to RM115,258,035 (31.12.2011: RM79,991,000; 2010: RM73,285,000; 2009: RM81,219,000) which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

The carrying value of the fixed and call deposits approximates fair value due to the relatively short term maturities.

The carrying value of the staff mortgage loans and other staff loans are reasonable approximations of fair value due to the insignificant impact of discounting.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.5 Investments (cont'd.)

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
(c) AFS financial assets				
At fair value:				
Equity securities:				
Quoted in Malaysia	10,003	26,287	21,438	13,038
Unit and property trust funds:				
Quoted in Malaysia	18,421	27,813	24,905	13,501
Debt securities:				
Unquoted in Malaysia	132,873	131,581	126,328	127,758
	<u>161,297</u>	<u>185,681</u>	<u>172,671</u>	<u>154,297</u>
At cost less impairment:				
Equity securities:				
Unquoted in Malaysia	175	221	271	242
	<u>161,472</u>	<u>185,902</u>	<u>172,942</u>	<u>154,539</u>

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.5 Investments (cont'd.)

(d) Carrying values of financial instruments

	HTM RM'000	LAR RM'000	AFS RM'000	Total RM'000
At 1 January 2009				
Purchases	47,497	120,832	128,506	296,835
Maturities/disposals	5,125	1,290,953	85,224	1,381,302
Fair value gains recorded in:	(16,982)	(1,265,291)	(69,206)	(1,351,479)
Other comprehensive income	-	-	14,548	14,548
Realised gain transferred to profit or loss	-	-	(4,716)	(4,716)
Amortisation of investments	(255)	-	183	(72)
At 31 December 2009	35,385	146,494	154,539	336,418
At 1 January 2010				
Purchases	35,385	146,494	154,539	336,418
Maturities/disposals	-	1,703,309	55,018	1,758,327
Fair value gains recorded in:	(5,000)	(1,668,723)	(40,836)	(1,714,559)
Other comprehensive income	-	-	7,233	7,233
Realised gain transferred to profit or loss	-	-	(3,089)	(3,089)
Amortisation of investments	(250)	-	77	(173)
At 31 December 2010	30,135	181,080	172,942	384,157

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMBGROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.5 Investments (cont'd.)

(d) Carrying values of financial instruments (cont'd.)

	HTM RM'000	LAR RM'000	AFS RM'000	Total RM'000
At 1 January 2011	30,135	181,080	172,942	384,157
Purchases	-	2,024,400	52,225	2,076,625
Maturities/disposals	(30,000)	(1,960,696)	(39,960)	(2,030,656)
Fair value gains recorded in:				
Other comprehensive income	-	-	6,616	6,616
Realised gain transferred to profit or loss	-	-	(6,032)	(6,032)
Amortisation of investments	(135)	-	111	(24)
At 31 December 2011	-	244,784	185,902	430,686
At 1 January 2012	-	244,784	185,902	430,686
Purchases	-	1,676,229	45,055	1,721,284
Maturities/disposals	-	(1,632,941)	(66,716)	(1,699,657)
Fair value gains recorded in:				
Other comprehensive income	-	-	5,270	5,270
Realised gain transferred to profit or loss	-	-	(8,034)	(8,034)
Amortisation of investments	-	-	(5)	(5)
At 30 September 2012	-	288,072	161,472	449,544

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.5 Investments (cont'd.)

(e) Fair values of financial investments

The following tables show financial investments recorded at fair value analysed by the different bases as follows:

	AFS RM'000	Total RM'000
30.09.2012		
Quoted market bid price	28,424	28,424
Valuation techniques - market observable inputs	132,873	132,873
At cost less impairment	175	175
	<u>161,472</u>	<u>161,472</u>
31.12.2011		
Quoted market bid price	54,100	54,100
Valuation techniques - market observable inputs	131,581	131,581
At cost less impairment	221	221
	<u>185,902</u>	<u>185,902</u>
31.12.2010		
Quoted market bid price	46,343	46,343
Valuation techniques - market observable inputs	126,328	126,328
At cost less impairment	271	271
	<u>172,942</u>	<u>172,942</u>
31.12.2009		
Quoted market bid price	26,539	26,539
Valuation techniques - market observable inputs	127,758	127,758
At cost less impairment	242	242
	<u>154,539</u>	<u>154,539</u>

13. ACCOUNTANTS' REPORT (Cont'd)**II TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.5 Investments (cont'd.)****(e) Fair values of financial investments (cont'd.)**

Included in the quoted category are financial instruments that are measured in whole or in part by reference to quoted market bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services.

For unquoted equity securities, fair value cannot be measured reliably. These financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

For financial investments carried at fair value, please refer to Note 4.5.32 of Section II - TIMB Group for the fair value hierarchy disclosure.

(f) Average effective interest rates

The average effective interest rates and the earlier of the contractual re-pricing or maturity dates for each class of interest-bearing investment and placements with licensed financial institutions, at net carrying amounts are as below:

	←----- Audited ----->					
	30.09.2012	31.12.2011	31.12.2010	31.12.2009	%	%
Malaysian government securities	-	-	4.22	4.09	%	%
Debt securities	4.70	4.64	4.66	4.78		
Loans	5.00	5.00	5.00	5.00		
Deposits with financial institutions	3.32	3.31	2.89	2.24		

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13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.6 Reinsurance assets

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Claims liabilities (Note 4.5.11 of Section II - TIMB Group)	145,313	122,008	160,452	218,536
Premium liabilities (Note 4.5.11 of Section II - TIMB Group)	39,976	35,958	22,881	58,746
	<u>185,289</u>	<u>157,966</u>	<u>183,333</u>	<u>277,282</u>

4.5.7 Insurance receivables

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Due premiums including agents, brokers and co-insurers balances	24,449	21,323	22,034	30,881
Due from reinsurers and cedants	28,170	38,487	41,360	34,030
	<u>52,619</u>	<u>59,810</u>	<u>63,394</u>	<u>64,911</u>
Accumulated impairment loss	(19,164)	(23,005)	(26,764)	(27,275)
	<u>33,455</u>	<u>36,805</u>	<u>36,630</u>	<u>37,636</u>
Movement in allowance accounts:				
At 1 January	23,005	26,764	27,275	27,678
Reversal of allowance for impairment losses	(1,644)	(3,527)	(511)	(403)
Written off	(2,197)	(232)	-	-
At 30 September/31 December	<u>19,164</u>	<u>23,005</u>	<u>26,764</u>	<u>27,275</u>

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.8 Other receivables

	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Financial assets:				
Income due and accrued	4,651	3,256	2,902	2,544
Assets held under the Malaysian Motor Insurance Pool ("MMIP")	22,204	17,085	8,154	4,887
Malaysian Institute of Insurance ("MII") bonds	260	260	260	260
Other receivables	2,414	1,676	1,342	1,073
	<u>29,529</u>	<u>22,277</u>	<u>12,658</u>	<u>8,764</u>
Non-financial asset:				
Tax recoverable	3,650	548	4,688	9,598
	<u>33,179</u>	<u>22,825</u>	<u>17,346</u>	<u>18,362</u>

The carrying amounts of financial assets included under other receivables (excluding net assets held under MMIP) approximate their respective fair values due to the relatively short-term maturity of these balances.

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.9 Share capital

	Number of ordinary shares of RM1 each						Amount	
	←			Audited			→	
	30.09.2012	31.12.2011	31.12.2010	31.12.2009	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	'000	'000	'000	RM'000	RM'000	RM'000	RM'000
Authorised:								
At beginning and end of year	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Issued and fully paid:								
At beginning and end of year	100,013	100,013	100,013	100,013	100,013	100,013	100,013	100,013

The holders of ordinary shares are entitled to receive dividends as and when declared by TIMB. All ordinary shares carry one vote per share without restrictions and rank equally with regard to TIMB residual assets.

4.5.10 Retained earnings

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007, which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders ("single-tier system"). However, there is a transitional period of six years expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

TIMB did not elect for the irrevocable option to disregard the Section 108 balance. During the transitional period, TIMB may utilise the credits in the Section 108 balance as at 30 September 2012 to distribute cash dividend payments to ordinary shareholder as defined under the Finance Act, 2007. TIMB has sufficient Section 108 balance to frank the payment of dividends out of its entire retained earnings as at 30 September 2012, subject to meeting the capital adequacy requirements as stipulated under the RBC Framework.

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.) 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.11 Insurance contract liabilities

	Audited											
	30.09.2012			31.12.2011			31.12.2010			31.12.2009		
	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000
Provision for claims reported by policyholders	257,170	(105,405)	151,765	239,584	(90,000)	149,584	274,474	(130,211)	144,263	281,477	(140,193)	141,284
Provision for IBNR claims and PRAD	109,370	(39,908)	69,462	78,254	(32,008)	46,246	55,185	(30,241)	24,944	96,177	(78,343)	17,834
Claims liabilities (i)	366,540	(145,313)	221,227	317,838	(122,008)	195,830	329,659	(160,452)	169,207	377,654	(218,536)	159,118
Premium liabilities (ii)	109,240	(39,976)	69,264	115,979	(35,958)	80,021	100,065	(22,881)	77,184	126,845	(58,746)	68,099
	475,780	(185,289)	290,491	433,817	(157,966)	275,851	429,724	(183,333)	246,391	504,499	(277,282)	227,217
(i) Claims liabilities												
At 1 January	317,838	(122,008)	195,830	329,659	(160,452)	169,207	377,654	(218,536)	159,118	499,801	(344,380)	155,421
Claims incurred in the current accident period/year	180,376	(79,934)	100,442	164,447	(29,449)	134,998	170,542	(61,726)	108,816	360,358	(205,216)	155,142
Adjustment to claims incurred in prior accident years due to changes in assumptions	(9,200)	(1,863)	(11,063)	(39,098)	12,044	(27,054)	(88,963)	72,277	(16,686)	(256,427)	189,100	(67,327)
Claims paid during the period/year	(122,474)	58,492	(63,982)	(137,170)	55,849	(81,321)	(129,574)	47,533	(82,041)	(226,078)	141,960	(84,118)
At 30 September/31 December	366,540	(145,313)	221,227	317,838	(122,008)	195,830	329,659	(160,452)	169,207	377,654	(218,536)	159,118
(ii) Premium liabilities												
At 1 January	115,979	(35,958)	80,021	100,065	(22,881)	77,184	126,845	(58,746)	68,099	113,892	(56,031)	57,861
Premiums written in the period/year	181,063	(78,246)	102,817	261,684	(102,422)	159,262	217,366	(85,619)	131,747	239,233	(120,102)	119,131
Premiums earned during the period/year	(187,802)	74,228	(113,574)	(245,770)	89,345	(156,425)	(244,146)	121,484	(122,662)	(226,280)	117,387	(108,893)
At 30 September/31 December	109,240	(39,976)	69,264	115,979	(35,958)	80,021	100,065	(22,881)	77,184	126,845	(58,746)	68,099

13. ACCOUNTANTS' REPORT (Cont'd)
II TIMB GROUP
4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)
4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
4.5.12 Retirement benefits

	←	Audited		→
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
At beginning of period/year	1,336	1,548	2,120	3,227
Provision for the period/year	333	85	202	180
	1,669	1,633	2,322	3,407
Payments during the period/year	(277)	(297)	(774)	(1,287)
At 30 September/31 December	1,392	1,336	1,548	2,120
	1,232	1,105	1,171	1,368

4.5.13 Deferred tax (liabilities)/assets

	←	Audited		→
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	(1,266)	39	(901)	2,361
Recognised in:				
Profit or loss	(33)	(1,159)	1,976	(803)
Other comprehensive income	691	(146)	(1,036)	(2,459)
At 30 September/31 December	(608)	(1,266)	39	(901)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP
 4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)
 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
 4.5.13 Deferred tax (liabilities)/assets (cont'd.)

	Audited			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
	(841)	(1,578)	(1,458)	(2,094)
	233	312	1,497	1,193
	<u>(608)</u>	<u>(1,266)</u>	<u>39</u>	<u>(901)</u>

Presented after appropriate offsetting as follows:

Deferred tax liabilities	(841)	(1,578)	(1,458)	(2,094)
Deferred tax assets	233	312	1,497	1,193
	<u>(608)</u>	<u>(1,266)</u>	<u>39</u>	<u>(901)</u>

The components and movements of deferred tax liabilities and assets during the financial year/period prior to offsetting are as follows:

	Accelerated capital allowance on property and equipment RM'000	Fair value of AFS financial assets RM'000	Others RM'000	Total RM'000
Deferred tax liabilities				
At 1 January 2009	(141)	77	(1,944)	(2,008)
Recognised in:				
Profit or loss	47	-	2,326	2,373
Other comprehensive income	-	(2,459)	-	(2,459)
At 31 December 2009	<u>(94)</u>	<u>(2,382)</u>	<u>382</u>	<u>(2,094)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.13 Deferred tax (liabilities)/assets (cont'd.)

	Accelerated capital allowance on property and equipment RM'000	Fair value of AFS financial assets RM'000	Others RM'000	Total RM'000
Deferred tax liabilities (cont'd.)				
At 31 December 2009	(94)	(2,382)	382	(2,094)
Recognised in:				
Profit or loss	(19)	-	1,691	1,672
Other comprehensive income	-	(1,036)	-	(1,036)
At 31 December 2010	(113)	(3,418)	2,073	(1,458)
Recognised in:				
Profit or loss	26	-	-	26
Other comprehensive income	-	(146)	-	(146)
At 31 December 2011	(87)	(3,564)	2,073	(1,578)
Recognised in:				
Profit or loss	46	-	-	46
Other comprehensive income	-	691	-	691
At 30 September 2012	(41)	(2,873)	2,073	(841)

13. ACCOUNTANTS' REPORT (Cont'd)



ii TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.13 Deferred tax (liabilities)/assets (cont'd.)

	Accelerated capital allowance on property and equipment RM'000	Fair value of AFS financial assets RM'000	Others RM'000	Total RM'000	
Deferred tax assets					
At 1 January 2009	-	1,331	17	3,021	4,369
Recognised in:					
Profit or loss	-	(138)	(17)	(3,021)	(3,176)
At 31 December 2009	-	1,193	-	-	1,193
Recognised in:					
Profit or loss	-	(463)	-	767	304
At 31 December 2010	-	730	-	767	1,497
Recognised in:					
Profit or loss	311	(730)	-	(766)	(1,185)
At 31 December 2011	311	-	-	1	312
Recognised in:					
Profit or loss	(363)	-	-	284	(79)
At 30 September 2012	(52)	-	-	285	233

4.5.14 Insurance payables

	----- Audited ----->			
	30.09.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Due to agents, brokers, co-insurers and insureds	14,090	12,336	9,546	13,935
Due to reinsurers and cedants	34,396	38,717	39,759	20,484
	<u>48,486</u>	<u>51,053</u>	<u>49,305</u>	<u>34,419</u>

The carrying amounts disclosed above approximate their fair values at the reporting date.

4.5.15 Other payables

	----- Audited ----->			
	30.09.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Financial liabilities:				
Claims payable	8,547	4,603	11,643	14,980
Reinsurance deposits	3,430	3,478	3,936	3,633
Others	3,814	4,658	3,321	5,485
	<u>15,791</u>	<u>12,739</u>	<u>18,900</u>	<u>24,098</u>
Non-financial liabilities:				
Accrued expenses	4,858	4,079	4,867	4,974
	<u>20,649</u>	<u>16,818</u>	<u>23,767</u>	<u>29,072</u>

The carrying amounts of financial liabilities disclosed above approximates fair values at the reporting date.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.16 Operating revenue

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	187,802	169,519	245,770	244,146	226,280
Investment income	13,308	11,510	17,691	13,120	12,594
	<u>201,110</u>	<u>181,029</u>	<u>263,461</u>	<u>257,266</u>	<u>238,874</u>

4.5.17 Net earned premiums

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
(a) Gross earned premiums					
General insurance contracts	181,063	189,450	261,684	217,366	239,233
Change in premium liabilities	6,739	(19,931)	(15,914)	26,780	(12,953)
	<u>187,802</u>	<u>169,519</u>	<u>245,770</u>	<u>244,146</u>	<u>226,280</u>
(b) Premiums ceded to reinsurers					
General insurance contracts	78,246	71,287	102,422	85,619	120,102
Change in premium liabilities	(4,018)	(2,978)	(13,077)	35,865	(2,715)
	<u>74,228</u>	<u>68,309</u>	<u>89,345</u>	<u>121,484</u>	<u>117,387</u>
Net earned premiums	<u>113,574</u>	<u>101,210</u>	<u>156,425</u>	<u>122,662</u>	<u>108,893</u>

4.5.18 Investment income

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income from investment property	271	260	346	354	350
Interest income:					
- HTM financial assets	-	638	638	1,297	1,601
- AFS financial assets	4,509	4,413	5,892	5,669	5,860
- LAR	6,414	4,496	6,456	4,242	3,050
- Others	956	362	2,561	761	319
Dividend income	1,163	1,400	1,823	970	1,467
	<u>13,313</u>	<u>11,569</u>	<u>17,716</u>	<u>13,293</u>	<u>12,647</u>
Net amortisation of premiums on investments	(5)	(59)	(25)	(173)	(53)
	<u>13,308</u>	<u>11,510</u>	<u>17,691</u>	<u>13,120</u>	<u>12,594</u>

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.19 Realised gains and losses

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited ----->		
			01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Property and equipment:					
Realised gain on disposal of property and equipment	5	25	28	55	23
AFS financial assets:					
Realised gains:					
Equity securities					
- quoted in Malaysia	8,479	5,789	5,976	3,857	5,439
Debts securities					
- unquoted in Malaysia	265	304	760	164	153
Realised losses:					
Equity securities					
- quoted in Malaysia	(710)	(553)	(704)	(24)	(876)
Debts securities					
- unquoted in Malaysia	-	-	-	(908)	-
Total realised gains for AFS financial assets	8,034	5,540	6,032	3,089	4,716
Total realised gains	8,039	5,565	6,060	3,144	4,739

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.20 Other operating income/(expense)

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Other operating revenue:					
Sundry income	383	76	130	373	123
Other operating expense:					
Impairment loss of property and equipment	-	-	(2,150)	-	-

4.5.21 Net claims

	Audited	Unaudited	<----- Audited ----->		
	01.01.2012	01.01.2011	01.01.2011	01.01.2010	27.03.2009
	to	to	to	to	to
	30.09.2012	30.09.2011	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000
(a) Gross claims paid					
General insurance contracts	(122,474)	(108,537)	(137,170)	(129,574)	(226,078)
(b) Claims ceded to reinsurers					
General insurance contracts	58,492	48,485	55,849	47,533	141,960
Net claims paid (a)	(63,982)	(60,052)	(81,321)	(82,041)	(84,118)
(c) Gross change in contract liabilities					
General insurance contracts	(48,702)	(21,307)	11,821	47,995	122,147
(d) Change in contract liabilities ceded to reinsurers					
General insurance contracts	23,306	(1,439)	(38,444)	(58,084)	(125,844)
Net change in contract liabilities (b)	(25,396)	(22,746)	(26,623)	(10,089)	(3,697)
Net claims (a) + (b)	(89,378)	(82,798)	(107,944)	(92,130)	(87,815)

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.22 Management expenses

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited ----->		
			01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Employee benefits expense (Note 4.5.22(a) of Section II - TIMB Group)	12,991	11,420	14,607	12,460	13,466
Directors' remuneration (Note 4.5.22(b) of Section II - TIMB Group)	319	563	356	532	444
Auditors' remuneration:					
- statutory audits	120	150	163	173	110
- other services	-	-	42	137	37
Depreciation of property and equipment	582	638	504	515	909
Depreciation of investment property	16	17	22	21	22
Amortisation of intangible assets	53	(186)	148	101	115
Reversal of allowance for impairment losses on insurance receivables	(2,196)	(1,158)	(3,759)	(511)	(403)
Provision for Takaful and Insurance Benefits Protection System ("TIPS") (2010/2009: Insurance Guarantee Scheme Fund ("IGSF")) levy	178	319	204	323	351
Rental of premises	623	553	746	617	621
Printing charges	422	602	796	1,040	1,050
Publicity expenses	1,676	1,846	2,278	1,768	1,504
Communication expenses	479	487	695	667	583
Computer expenses	795	939	1,249	1,152	1,410
Administration and general expenses	3,730	3,016	4,731	4,234	3,649
	<u>19,788</u>	<u>19,206</u>	<u>22,782</u>	<u>23,229</u>	<u>23,868</u>

(a) Employee benefits expense

Wages and salaries	8,616	7,707	10,115	9,082	9,582
Social security contributions	108	102	136	127	123
Contributions to defined contribution plan-EPF	1,373	1,107	1,493	1,345	1,301
Other benefits	2,894	2,504	2,863	1,906	2,460
	<u>12,991</u>	<u>11,420</u>	<u>14,607</u>	<u>12,460</u>	<u>13,466</u>

Included in employee benefits expense is CEO's remuneration of RM615,000 (2011: RM536,000; 2010: RM429,000; 2009: RM883,000) as detailed in Note 4.5.22(c) of Section II - TIMB Group.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.22 Management expenses (cont'd.)

(b) Directors' remuneration

The details of directors' remuneration for the year are as follows:

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited -----> 01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Executive director:					
Fees	-	-	-	-	24
Allowances and other emoluments	-	-	-	-	7
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31</u>
Non-executive directors:					
Fees	232	162	109	138	186
Allowances and other emoluments	87	401	247	394	227
	<u>319</u>	<u>563</u>	<u>356</u>	<u>532</u>	<u>413</u>
	<u>319</u>	<u>563</u>	<u>356</u>	<u>532</u>	<u>444</u>

The number of non-executive directors of the TIMB Group whose remuneration during the financial year fell within the following bands is analysed below:

	30.09.2012	30.09.2011	Number of directors		
			2011	2010	2009
Non-executive directors:					
Below RM50,000	5	2	4	2	1
RM50,000 - RM100,000	1	2	1	-	2
RM100,001 - RM150,000	-	2	1	-	2
RM150,001 - RM200,000	-	-	-	3	-

(c) CEO's remuneration

The details of remuneration received by the CEO during the year are as follows:

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited -----> 01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Salary	397	342	462	312	207
EPF	62	55	70	44	34
Bonus	140	120	120	56	1
Gratuity	-	-	-	-	633
Total remuneration excluding the benefits in kind	<u>599</u>	<u>517</u>	<u>652</u>	<u>412</u>	<u>875</u>
Estimated money value of benefits in kind	16	19	30	17	8
Total remuneration (Note 4.5.22(a) of Section II - TIMB Group)	<u>615</u>	<u>536</u>	<u>682</u>	<u>429</u>	<u>883</u>

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.23 Taxation

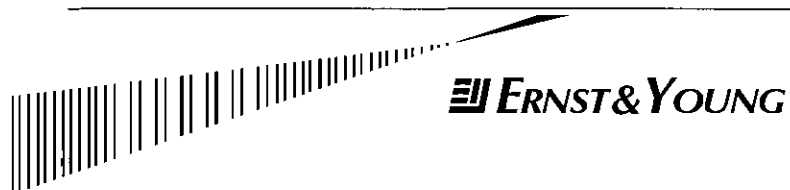
	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited ----->		
			01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Current income tax:					
Malaysian income tax	4,703	2,795	8,964	4,327	1,782
(Over)/under provision in prior years	(112)	-	(1,405)	3,314	146
	<u>4,591</u>	<u>2,795</u>	<u>7,559</u>	<u>7,641</u>	<u>1,928</u>
Deferred tax (Note 4.5.12 of Section II - TIMB Group) Relating to origination and reversal of temporary differences	39	-	553	(33)	1,077
(Over)/under provision in prior years	(6)	-	606	(1,943)	(274)
	<u>33</u>	<u>-</u>	<u>1,159</u>	<u>(1,976)</u>	<u>803</u>
	<u>4,624</u>	<u>2,795</u>	<u>8,718</u>	<u>5,665</u>	<u>2,731</u>

The income tax is based on the tax rate of 25% (2011: 25%; 2010: 25%; 2009: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate is as follows:

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited ----->		
			01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Profit before taxation	<u>17,920</u>	<u>7,530</u>	<u>34,971</u>	<u>15,856</u>	<u>8,529</u>
Taxation at Malaysian statutory tax rate of 25%	4,480	1,883	8,743	3,964	2,132
Expenses not deductible for tax purposes	262	913	774	330	727
(Over)/under provision of taxation in prior years	(112)	-	(1,405)	3,314	146
(Over)/under provision of deferred taxation in prior years	(6)	-	606	(1,943)	(274)
Tax expense for the year	<u>4,624</u>	<u>2,795</u>	<u>8,718</u>	<u>5,665</u>	<u>2,731</u>

13. ACCOUNTANTS' REPORT (Cont'd)



ii TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.24 Earnings per share

Earnings per share is calculated by dividing profit for the financial year attributable to ordinary equity holders of TIMB by the weighted average number of ordinary shares in issue during the financial year.

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited -----> 01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Profit attributable to ordinary equity holders	13,296	4,735	26,253	10,191	5,798
Number/weighted average number of ordinary shares in issue during the period/year ('000)	100,013	100,013	100,013	100,013	100,013
Basic earnings per share (sen)	13.3	4.7	26.2	10.2	5.8

There were no dilutive potential ordinary shares as at the end of the relevant reporting dates. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

4.5.25 Operating lease arrangements

(a) TIMB as lessee

TIMB Group has entered into a lease agreement for rental of office premises.

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future minimum rental payments:

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited -----> 01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Rental of office premises:					
Payable within one year	670	483	740	483	476
Payable after one year	288	176	520	176	288
	958	659	1,260	659	764

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.25 Operating lease arrangements (cont'd.)

(b) TIMB as lessor

TIMB Group has entered into a non-cancellable operating lease arrangement on its investment property. The lease have remaining non-cancellable lease term of 3 years.

The future minimum lease payments receivable under a non-cancellable operating lease contracted for as at the reporting date but not recognised as receivables, are as follows:

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited -----> 01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Receivable within one year	339	338	338	198	336
Receivable after one year	280	532	532	-	196
	<u>619</u>	<u>870</u>	<u>870</u>	<u>198</u>	<u>532</u>

Rental income on investment property recognised in the statements of comprehensive income during the relevant financial years is disclosed in Note 4.5.18 of Section II - TIMB Group.

4.5.26 Capital commitments

The commitments of the TIMB Group as at the financial period-end are as follows:

	30.09.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Capital expenditure:				
Approved but not contracted for:				
Property and equipment	10,000	-	-	-
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

4.5.27 Related party disclosures

(a) Significant related party transactions

The Group had the following significant transactions and outstanding balances with related parties:

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited -----> 01.01.2011 to 31.12.2011 RM'000	01.01.2010 to 31.12.2010 RM'000	27.03.2009 to 31.12.2009 RM'000
Premium income:					
Director-related corporation, Asian Institute of Medicine, Science & Technology	-	-	-	-	907
Fellow subsidiary, Maika Intellectual Resources Sdn Bhd	-	-	-	-	2
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>909</u>

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.27 Related party disclosures

(a) Significant related party transactions (cont'd.)

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited -----> 01.01.2011 to 31.12.2011 01.01.2010 to 31.12.2010 27.03.2009 to 31.12.2009 RM'000		
Transactions with shareholder of the holding company, AirAsia Berhad:					
Fee and commission expense	(757)	-	-	-	-
Transactions with the holding company:					
Premiums ceded to reinsurers	(1,338)	-	-	-	-
Fee and commission income	647	-	-	-	-
Other income	149	-	-	-	-
Related companies:					
Tune Talk Sdn Bhd					
Gross written premium	780	-	-	-	-
Air Asia X Berhad					
Fee and commission expense	(171)	-	-	-	-

(b) Compensation of key management personnel

The remuneration of key management personnel during the period/year was as follows:

	Audited 01.01.2012 to 30.09.2012 RM'000	Unaudited 01.01.2011 to 30.09.2011 RM'000	<----- Audited -----> 01.01.2011 to 31.12.2011 01.01.2010 to 31.12.2010 27.03.2009 to 31.12.2009 RM'000		
Non-executive directors' remuneration:	319	563	356	532	444
CEO's remuneration	615	536	682	429	883
Other key management personnel:					
Short term employee benefits	1,354	1,012	747	760	924
EPF expenses	160	122	90	112	168
Gratuity	13	16	21	699	-
Benefits-in-kind	28	35	15	22	50
	<u>2,489</u>	<u>2,284</u>	<u>1,911</u>	<u>2,554</u>	<u>2,469</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel of the Group includes the Directors, Chief Executive Officer, Financial Controller and Assistant General Managers.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

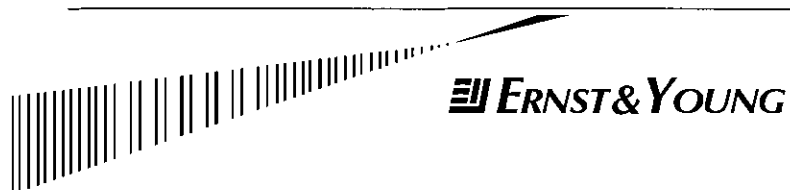
4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.28 Regulatory capital requirement

The capital structure of TIMB as at 30 September 2012, as prescribed under the RBC Framework, is provided as below:

TIMB	<----- Audited ----->			
	30.09.2012	31.12.2011	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Eligible Tier 1 capital				
Share capital (paid-up)	100,013	100,013	100,013	100,013
Reserves, including retained earnings	68,136	54,840	28,587	21,052
	<u>168,149</u>	<u>154,853</u>	<u>128,600</u>	<u>121,065</u>
Tier 2 capital				
Eligible reserves	5,055	7,128	6,690	926
Amount deducted from capital	404	344	115	216
Total capital available	<u>172,800</u>	<u>161,637</u>	<u>135,175</u>	<u>121,775</u>

13. ACCOUNTANTS' REPORT (Cont'd)

**II TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.29 Risk management framework**

As a general insurance company, TIMB is in the business of absorbing the risk of financial loss on behalf of its clients.

In meeting these requirements, the Board of Directors ("Board") of TIMB, which has the ultimate responsibility for ensuring an adequate system of risk management, has established a Risk Management Committee ("RMC") of 3 members, comprising two Non-Executive Directors, the Chief Executive Officer and other members of staff. The Risk Management Committee of TIMB is responsible for regularly identifying risks, ensuring that adequate risk management policies and procedures are in place, and monitoring compliance with policies and procedures.

The Committee has worked with the Management to develop these policies and both Management and Board have agreed to adopt these policies to govern the running of the business.

Risk appetite

TIMB's risk appetite has been established as 3% of shareholders funds i.e. approximately RM4 million on any one event or series of events arising from a single cause.

Overview of risk management policies

The key risks facing TIMB are well categorised and are covered by the following policies. However, recognising new risks requires constant vigilance.

A. Underwriting**i. Risk**

Acceptance of poor insurance risks, risks with low profit margins and inadequate reinsurance arrangements contribute to low profitability and inadequate capital growth. Insurance risk is also the risk of outstanding insurance contract liabilities being greater than estimated.

ii. Policy

The following outlines TIMB's policies to safeguard against these risks:

- (a) Underwrite only classes of risks which have been approved by the Board;

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.29 Risk management framework (cont'd.)

A. Underwriting (cont'd.)

ii. Policy (cont'd.)

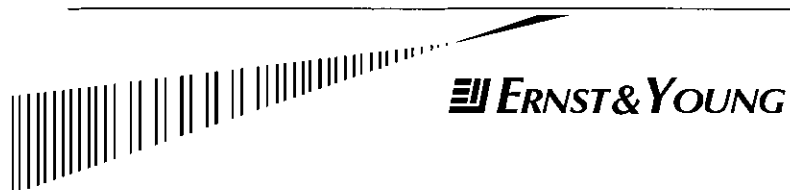
- (b) Accept risks within the approved classes only according to comprehensive underwriting guidelines and within limits of delegated authority;
- (c) Expand into new lines only where there is adequate experience within TIMB and after management has obtained appropriate Board authority;
- (d) Price risks with sufficient margin to ensure ongoing viability of the business, and maintaining a professional approach to this function;
- (e) Retain risks according to guidelines on maximum risks to be retained;
- (f) Mitigate foreign currency risks on reinsurance by all significant reinsurance arrangements being entered into in Malaysian Ringgit;
- (g) Ensure compliance with treaty arrangements in accepting risks;
- (h) Maintain a balanced portfolio to yield a reasonable level of profits; and
- (i) Review on a regular basis the reserves for unearned premiums and IBNR.

TIMB does not accept risks of an economic or political nature or those that have a long gestation period.

B. Reinsurance

Maintain prudent reinsurance arrangements with reputable reinsurers to safeguard the ongoing viability of the business including its capacity to meet obligations to policyholders and shareholders.

Assess the credit worthiness of reinsurance counterparties and their ability to service their claims obligations.

13. ACCOUNTANTS' REPORT (Cont'd)**II TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.29 Risk management framework (cont'd.)****C. Claims****i. Risk**

Exposure to unexpected or excessive losses, fraudulent claims and inadequate provisions for outstanding claims could affect TIMB's profitability, financial position, capital and reputation.

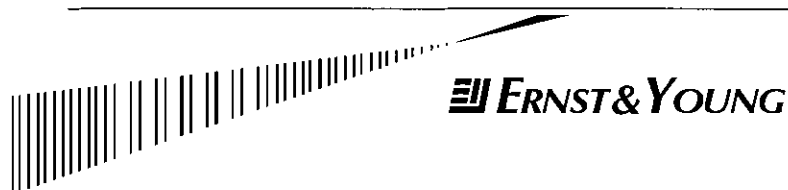
ii. Policy

TIMB's policies to guard against these risks are:

- (a) Identify claims exposures and properly assess them, and routinely review them upon advent of further information and at least once a year.
- (b) Maintain good claims administration and settlement processes to ensure prudent claims estimation and appropriate loss adjustment.
- (c) Make adequate provisions for all claims liabilities, especially for long-tail liabilities and the effect of superimposed inflation and adverse foreign exchange movements on such liabilities.
- (d) Assess exposure to fraud periodically and employ measures to minimise potential losses through accepting claims outside contractual obligations for fraudulent reasons and for detecting fraudulent claims.
- (e) Ensure that losses are mitigated and potential recovery action is followed up in a professional and timely fashion.

D. Investments**i. Risk**

Investment risk is the risk of inadequate investment returns from poor investment strategies and adverse movements in the value of investments. Investment risk is derived from market risk, credit risk, investment concentration risk, liquidity risk, and asset/liability mismatch risk.

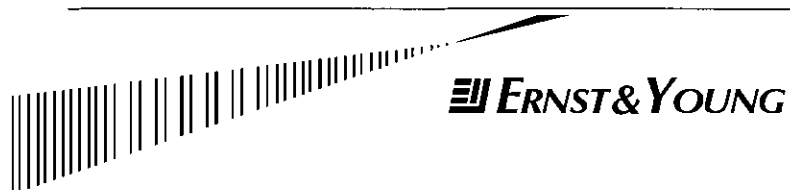
13. ACCOUNTANTS' REPORT (Cont'd)**II TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.29 Risk management framework (cont'd.)****D. Investments (cont'd.)****ii. Policy**

Returns from investment of premium income are an important source of income to TIMB and maintenance of the market value of the investments is essential for the financial stability of TIMB. Absence of prudent investment strategies and investment decision framework could result in poor investment return which would affect TIMB's profitability and competitiveness and also result in TIMB not being able to meet its obligations as they fall due. It is TIMB's policy to:

- (a) Implement an investment strategy to ensure appropriate asset allocation, concentration of investments and matching of asset and liability portfolios.
- (b) Ensure that investments are held in different classes within limits specified by the Investment Committee.
- (c) Undertake a thorough analysis before making an investment to minimise market risk and continuously monitor the performance and risk of the investment.
- (d) Manage disposal of investments to optimise the returns on realisation.
- (e) Limit exposure to interest rate risk by investing in term deposits, corporate bonds and government securities on a long and short-term basis at competitive rates.
- (f) Ensure liquidity by maintaining sufficient cash float at any time and regularly matching expected duration of liabilities and investment; and uncertainties arising from timing and amount of cash flows.
- (g) Minimise credit risk and investment concentration risk by investing with institutions that have a minimum rating of "B" within specific overall limits for each institution.
- (h) Monitor investment portfolio and performance weekly or at other shorter intervals and report investment exposure and performance to the Board monthly.

TIMB does not use derivatives.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.29 Risk management framework (cont'd.)

E. Credit Quality

i. Risk

Risk associated with credit exposure that increase the risk profile of TIMB and can adversely affect TIMB's viability. The risk arises mainly from default of premiums due and large exposures.

ii. Policy

Policies to limit credit risks include the following:

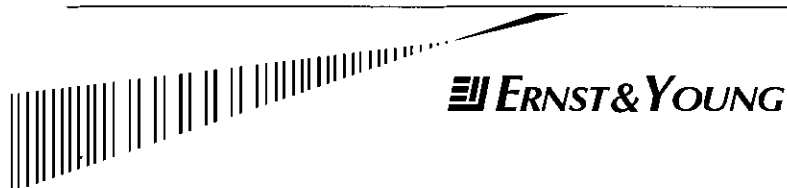
- (a) Maintain credit control in accordance with appropriate policies and procedures which governs the extension of credit to brokers, agents and reinsurance partners and specifies guidelines for setting limits on credit.
- (b) Limit exposure to single parties or groups of related entities to 30% of TIMB's capital base. However, specific Board approval is required to sanction exposures including facultative reinsurance placements which exceed 30% of TIMB's capital base as well as exposure arrangements made in exception cases.
- (c) Monitor compliance with such established credit limits.
- (d) Collect amounts due in accordance with agreed credit terms, enforce prompt collection of overdue amounts in the case of premiums due, consider the cancellation of insurance policies at the expiry of credit terms.

F. Operations

i. Risk

Non-financial or operational risks TIMB faces include technology risk, risk to reputation, fraud, compliance, legal risk, physical damage to property, poor outsourcing arrangements, threat to business continuity, and key person risk.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.29 Risk management framework (cont'd.)

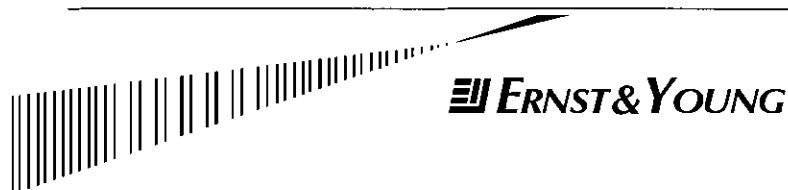
F. Operations (cont'd.)

ii. Policy

The policies to monitor and minimise these risks are as follows:

- (a) Undertake annual risk audits to identify material operations risks to which TIMB is exposed.
- (b) Effect appropriate insurance cover for all identified operations risks which can be cost-effectively insured.
- (c) Maintain a business continuity plan for events that may lead to a disruption in business including a computer disaster, together with appropriate insurance.
- (d) Maintain an IT security management policy that identifies the rules and procedures that all persons accessing computer resources must adhere to in order to ensure confidentiality, integrity and availability of data resources and protects the data resources from viruses.
- (e) Closely monitor the external relationships.
- (f) Retain records in accordance with an approved document retention policy and safeguard such documents from accidental damage or destruction;
- (g) Ensure at all times that compliance with regulatory requirements and fulfilment of material obligations under the total legislative framework that applies is maintained.
- (h) Maintain an ethics and personal conduct policy to conduct the affairs of TIMB in a manner that would avoid any action by TIMB or its officers that would bring disrepute to TIMB.
- (i) Implement adequate security procedures to prevent unauthorised access, damage, loss to assets and facilities and harm to employees and undertake staff training in relation to those procedures.
- (j) Ensure that division and responsibility is clear and mutually understood where any part of TIMB's business is outsourced to third parties whilst ultimate control over the outsourced operations is retained by TIMB.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.29 Risk management framework (cont'd.)

F. Operations (cont'd.)

ii. Policy (cont'd.)

- (k) Identify the types of fraud TIMB is exposed to and develop and maintain effective controls to prevent them and to take appropriate and prompt action if fraud occurs.

G. Regulatory compliance and corporate governance

The Management is responsible to follow a systematic approach to the business and effectively manage the risks. The key risks that have been identified are monitored and their status communicated as appropriate throughout all levels of the organisation and also incorporated in TIMB's performance management reporting.

TIMB maintains a register of risks and follows a project management approach toward mitigation of risk.

The Internal Audit Department, which reports independently to the Board, undertakes a wide ranging programme of work designed to keep the Board fully informed on the compliance of the business with agreed risk management policies, controls and procedures.

Regular reports are submitted to the Board with Key Performance Indicators covering TIMB's performance and the key risks identified.

A Compliance Department is formed to ensure regulatory compliance. The department is under the responsibility of the Manager - Quality Audit/Compliance who shall monitor compliance to regulatory requirements.

The Manager - Quality Audit/Compliance shall take responsibility to ensure regulatory compliance is adhered to and any changes to policy and practices are communicated appropriately to all parties concerned.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.29 Risk management framework (cont'd.)

H. Regulations of risk management

In accordance with these policies a procedural framework for management of these risks has been developed for the effective management of risk.

Effective and efficient operation of the organisation would be ensured through:

- (a) Providing a framework for an organisation that enables for activities to be undertaken in a consistent and controlled manner.
- (b) A management structure that clearly identifies the roles and responsibilities of the staff at all levels.
- (c) Development of procedures to ensure that the risk management strategies are implemented.
- (d) Retention of a well-qualified level of staff through appropriate recruitment, training and staff development systems and procedures.
- (e) Improving motivation of staff through a suitable communication, review, feed back and reward systems.
- (f) Prompt and comprehensive management reporting systems to assess performance and progress of the business and the utilisation of its resources.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Insurance risk

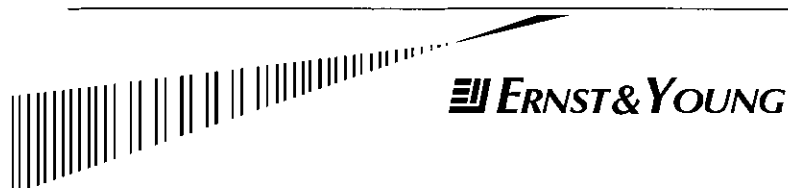
TIMB has in place comprehensive underwriting guidelines and limits of authority to ensure that risks are accepted in accordance with the authorised limits. The retention of risks is protected by proportional and non-proportional treaties with reputable reinsurers and brokers, and premised on the risk appetite of TIMB.

(a) Concentration of risks by class of business

The table below shows the concentration of premium liabilities by class of business:

	Gross premium liabilities RM'000	Re- insurance premium liabilities RM'000	Net premium liabilities RM'000
30.09.2012			
Motor	61,429	(8,305)	53,124
Fire	10,395	(3,797)	6,598
Marine, aviation and transit ("MAT")	22,275	(20,504)	1,771
Others	15,141	(7,370)	7,771
	<u>109,240</u>	<u>(39,976)</u>	<u>69,264</u>
31.12.2011			
Motor	78,606	(10,009)	68,597
Fire	6,395	(3,832)	2,563
MAT	21,636	(18,983)	2,653
Others	9,342	(3,134)	6,208
	<u>115,979</u>	<u>(35,958)</u>	<u>80,021</u>
31.12.2010			
Motor	63,099	(1,117)	61,982
Fire	5,635	(2,497)	3,138
MAT	21,951	(16,990)	4,961
Others	9,380	(2,277)	7,103
	<u>100,065</u>	<u>(22,881)</u>	<u>77,184</u>
31.12.2009			
Motor	48,196	(2,367)	45,829
Fire	6,727	(2,694)	4,033
MAT	64,435	(52,075)	12,360
Others	7,487	(1,610)	5,877
	<u>126,845</u>	<u>(58,746)</u>	<u>68,099</u>

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Insurance risk (cont'd.)

(a) Concentration of risks by class of business (cont'd.)

The table below shows the concentration of claim liabilities by class of business:

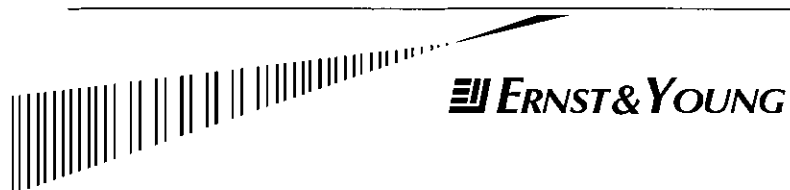
	Gross claim liabilities RM'000	Re- insurance claim liabilities RM'000	Net claim liabilities RM'000
30.9.2012			
Motor	177,691	(7,678)	170,013
Fire	28,027	(21,594)	6,433
MAT	105,860	(86,654)	19,206
Others	54,962	(29,387)	25,575
	<u>366,540</u>	<u>(145,313)</u>	<u>221,227</u>
31.12.2011			
Motor	155,110	(7,617)	147,493
Fire	24,096	(18,304)	5,792
MAT	78,924	(60,076)	18,848
Others	59,708	(36,011)	23,697
	<u>317,838</u>	<u>(122,008)</u>	<u>195,830</u>
31.12.2010			
Motor	116,709	(7,608)	109,101
Fire	22,840	(16,240)	6,600
MAT	115,550	(88,511)	27,039
Others	74,560	(48,093)	26,467
	<u>329,659</u>	<u>(160,452)</u>	<u>169,207</u>
31.12.2009			
Motor	87,382	(7,409)	79,973
Fire	31,253	(22,380)	8,873
MAT	187,606	(141,057)	46,549
Others	71,413	(47,690)	23,723
	<u>377,654</u>	<u>(218,536)</u>	<u>159,118</u>

(b) Sensitivity analysis

Key assumptions

The principal assumptions underlying the estimation of liabilities is that TIMB's future claims development will follow a similar pattern to past claims development experience. This includes key assumptions such as the adopted Ultimate Loss Ratios ("ULR"), risk margin percentages (i.e. Provision of Risk Margin for Adverse Deviation ("PRAD")) and provision for claims handling costs.

13. ACCOUNTANTS' REPORT (Cont'd)

**II TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.30 Insurance risk (cont'd.)****(b) Sensitivity analysis (cont'd.)****Key assumptions (cont'd.)**

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

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

- Adopted ULR;
- PRAD; and
- Provision for expenses (which includes claims handling cost and other overheads).

The analysis below is performed for reasonably possible movements in key assumptions (i.e. a 10% increase) with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

13. ACCOUNTANTS' REPORT (Cont'd)



II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Insurance risk (cont'd.)

(b) Sensitivity analysis (cont'd.)

Sensitivities (cont'd.)

	Changes in variable	←----- Increase/(decrease) ----->			
		Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity RM'000
30.09.2012					
Loss ratio	+10%	68,210	40,170	(40,170)	(30,128)
PRAD	+10%	2,564	1,290	(1,290)	(968)
Provision for expenses	+10%	444	444	(444)	(333)
31.12.2011					
Loss ratio	+10%	57,635	36,159	(36,159)	(27,119)
PRAD	+10%	2,040	1,797	(1,797)	(1,348)
Provision for expenses	+10%	525	1,118	(1,118)	(839)
31.12.2010					
Loss ratio	+10%	21,367	16,632	(16,632)	(12,474)
PRAD	+10%	2,787	1,327	(1,327)	(995)
Provision for expenses	+10%	1,811	1,811	(1,811)	(1,358)
31.12.2009					
Loss ratio	+10%	47,775	21,124	(21,124)	(15,843)
PRAD	+10%	4,628	1,209	(1,209)	(907)
Provision for expenses	+10%	1,711	1,711	(1,711)	(1,283)

13. ACCOUNTANTS' REPORT (Cont'd)

- II TIMB GROUP
4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Insurance risk (cont'd.)

(c) Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, TIMB gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Gross general insurance contract liabilities for 30.09.2012:

Accident year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	215,703	171,487	168,880	231,999	174,026	170,544	164,136	178,535	
One year later	206,489	189,062	158,065	251,136	124,814	168,597	162,694		
Two years later	199,753	238,023	161,822	211,179	117,799	169,977			
Three years later	185,568	190,680	157,899	206,783	117,041				
Four years later	185,137	192,144	152,896	206,504					
Five years later	190,674	190,249	151,655						
Six years later	186,659	190,646							
Seven years later	206,119	190,646	151,655	206,504	117,041	169,977	162,694	178,535	1,383,171
Current estimate of cumulative claims incurred									
At end of accident year	(56,005)	(39,651)	(52,065)	(43,395)	(39,747)	(38,182)	(30,815)	(58,736)	
One year later	(108,271)	(111,344)	(97,631)	(146,308)	(73,127)	(95,372)	(63,070)		
Two years later	(147,832)	(131,382)	(120,035)	(173,375)	(88,940)	(105,458)			
Three years later	(158,615)	(172,851)	(133,779)	(188,104)	(98,700)				
Four years later	(166,057)	(177,927)	(140,857)	(192,133)					
Five years later	(170,840)	(178,884)	(142,940)						
Six years later	(173,027)	(179,704)							
Seven years later	(175,890)								
Cumulative payments to-date	(175,890)	(179,704)	(142,940)	(192,133)	(98,700)	(105,458)	(63,070)	(58,736)	(1,016,631)
Gross general insurance contract liabilities per statements of financial position	30,229	10,942	8,715	14,371	18,341	64,519	99,624	119,799	366,540

13. ACCOUNTANTS' REPORT (Cont'd)

- II TIMB GROUP
4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Net general insurance contract liabilities for 30.09.2012:

Accident year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	86,749	93,390	90,326	102,392	104,437	114,029	134,687	100,938	
One year later	90,534	96,896	85,079	92,619	88,388	106,956	128,801		
Two years later	88,846	87,560	84,387	89,334	87,742	105,610			
Three years later	79,869	85,438	84,684	85,705	86,556				
Four years later	79,430	86,228	80,836	85,329					
Five years later	80,828	84,087	80,547						
Six years later	77,700	83,943							
Seven years later	82,371								
Current estimate of cumulative claims incurred	82,371	83,943	80,547	85,329	86,556	105,610	128,801	100,938	754,095
At end of accident year	(27,106)	(34,194)	(32,810)	(34,131)	(36,105)	(34,592)	(28,737)	(19,499)	
One year later	(57,734)	(64,307)	(60,380)	(63,502)	(62,444)	(67,182)	(57,637)		
Two years later	(65,144)	(70,765)	(66,712)	(71,614)	(70,711)	(74,301)			
Three years later	(68,029)	(74,012)	(71,819)	(75,894)	(74,666)				
Four years later	(70,604)	(77,293)	(74,337)	(77,922)					
Five years later	(72,926)	(77,821)	(75,333)						
Six years later	(73,708)	(78,345)							
Seven years later	(75,165)								
Cumulative payments to-date	(75,165)	(78,345)	(75,333)	(77,922)	(74,666)	(74,301)	(57,637)	(19,499)	(532,868)
Net general insurance contract liabilities per statements of financial position	7,206	5,598	5,214	7,407	11,890	31,309	71,164	81,439	221,227

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Gross general insurance contract liabilities for 30.12.2011:

Accident Year	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year	303,677	215,703	171,487	168,880	231,999	174,026	170,544	164,136	
One year later	315,814	206,489	189,062	158,065	251,136	124,814	168,597		
Two years later	303,539	199,753	238,023	161,822	211,179	117,799			
Three years later	310,463	185,568	190,600	157,899	206,783				
Four years later	298,651	185,137	192,144	152,896					
Five years later	283,421	190,674	190,249						
Six years later	286,545	186,659							
Seven years later	309,785	186,659	190,249	152,896	206,783	117,799	168,597	164,136	1,486,904
Current estimate of cumulative claims incurred									
At end of accident year	(75,031)	(56,005)	(39,651)	(52,065)	(43,395)	(39,747)	(38,182)	(30,815)	
One year later	(213,832)	(108,271)	(111,344)	(97,631)	(146,308)	(73,127)	(95,372)		
Two years later	(249,244)	(147,832)	(131,382)	(120,035)	(173,376)	(88,940)			
Three years later	(265,409)	(158,615)	(172,851)	(133,779)	(188,104)				
Four years later	(269,059)	(166,057)	(177,927)	(140,857)					
Five years later	(272,534)	(170,840)	(178,884)						
Six years later	(274,978)	(173,027)							
Seven years later	(283,067)	(173,027)	(178,884)	(140,857)	(188,104)	(88,940)	(95,372)	(30,815)	(1,179,066)
Cumulative payments to-date									
Gross general insurance contract liabilities per statements of financial position	26,718	13,632	11,365	12,039	18,679	28,859	73,225	133,321	317,838

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Net general insurance contract liabilities for 30.12.2011:

Accident Year	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year	99,947	86,749	93,390	90,326	102,392	104,437	114,029	134,687	
One year later	99,776	90,534	96,896	85,079	92,619	88,388	106,956		
Two years later	101,532	88,846	87,560	84,387	89,334	87,742			
Three years later	102,721	79,869	85,438	84,684	85,705				
Four years later	93,982	79,430	86,228	80,836					
Five years later	91,252	80,828	84,087						
Six years later	93,194	77,700							
Seven years later	96,654								
Current estimate of cumulative claims incurred	96,654	77,700	84,087	80,836	85,705	87,742	106,956	134,687	754,367
At end of accident year	(39,398)	(27,106)	(34,194)	(32,810)	(34,131)	(36,105)	(34,592)	(28,737)	
One year later	(66,242)	(57,734)	(64,307)	(60,380)	(63,502)	(62,444)	(67,182)		
Two years later	(75,465)	(65,144)	(70,765)	(66,712)	(71,614)	(70,711)			
Three years later	(82,227)	(68,029)	(74,012)	(71,819)	(75,894)				
Four years later	(83,721)	(70,604)	(77,293)	(74,337)					
Five years later	(85,375)	(72,926)	(77,821)						
Six years later	(86,838)	(73,708)							
Seven years later	(90,147)								
Cumulative payments to-date	(90,147)	(73,708)	(77,821)	(74,337)	(75,894)	(70,711)	(67,182)	(28,737)	(558,537)
Net general insurance contract liabilities per statements of financial position	6,507	3,992	6,266	6,499	9,811	17,031	39,774	105,950	195,830

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Gross general insurance contract liabilities for 30.12.2010:

Accident Year	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
At end of accident year	274,230	298,627	212,285	167,686	166,086	231,338	173,640	170,237	
One year later	252,462	308,207	200,053	183,227	154,839	250,131	124,133		
Two years later	273,148	295,351	192,945	232,048	158,509	209,999			
Three years later	275,965	302,121	178,676	184,539	154,492				
Four years later	279,967	290,270	178,194	186,016					
Five years later	276,344	274,991	183,709						
Six years later	264,309	278,062							
Seven years later	285,860								
Current estimate of cumulative claims incurred	285,860	278,062	183,709	186,016	154,492	209,999	124,133	170,237	1,592,508
At end of accident year	(49,691)	(69,981)	(52,586)	(35,851)	(49,271)	(42,734)	(39,361)	(37,877)	
One year later	(171,642)	(206,226)	(101,836)	(105,509)	(94,405)	(145,303)	(72,446)		
Two years later	(221,305)	(241,056)	(141,024)	(125,407)	(116,722)	(172,194)			
Three years later	(226,437)	(257,067)	(151,724)	(166,789)	(130,372)				
Four years later	(235,945)	(260,678)	(159,113)	(171,800)					
Five years later	(238,010)	(264,104)	(163,874)						
Six years later	(241,883)	(266,495)							
Seven years later	(247,791)								
Cumulative payments to-date	(247,791)	(266,495)	(163,874)	(171,800)	(130,372)	(172,194)	(72,446)	(37,877)	(1,262,849)
Gross general insurance contract liabilities per statements of financial position	38,069	11,567	19,835	14,216	24,120	37,805	51,687	132,360	329,659

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.30 Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Net general insurance contract liabilities for 30.12.2010:

Accident Year	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
At end of accident year	105,491	95,411	83,525	89,507	87,488	101,725	104,039	113,716	
One year later	101,642	92,614	84,403	90,969	81,750	91,616	87,675		
Two years later	98,891	93,819	82,385	81,533	80,953	88,173			
Three years later	99,713	94,852	73,352	79,346	81,155				
Four years later	101,386	86,073	72,853	80,061					
Five years later	97,931	83,295	74,222						
Six years later	96,289	85,197							
Seven years later	103,940								
Current estimate of cumulative claims incurred	103,940	85,197	74,222	80,061	81,155	88,173	87,675	113,716	714,139
At end of accident year	(36,424)	(34,863)	(23,882)	(30,311)	(29,972)	(33,463)	(35,706)	(34,281)	
One year later	(69,498)	(59,079)	(51,603)	(58,380)	(57,052)	(62,499)	(61,731)		
Two years later	(78,955)	(67,752)	(58,684)	(64,738)	(63,277)	(70,453)			
Three years later	(84,036)	(74,358)	(61,513)	(67,919)	(68,290)				
Four years later	(88,730)	(75,812)	(64,026)	(71,125)					
Five years later	(89,940)	(77,418)	(66,320)						
Six years later	(91,128)	(78,841)							
Seven years later	(93,891)								
Cumulative payments to-date	(93,891)	(78,841)	(66,320)	(71,125)	(68,290)	(70,453)	(61,731)	(34,281)	(544,932)
Net general insurance contract liabilities per statements of financial position	10,049	6,356	7,902	8,936	12,865	17,720	25,944	79,435	169,207

The gross and net general insurance claims development tables for the financial year ended 31 December 2009 of Group have not been disclosed as it is not practicable to obtain the information without incurring excessive cost or resources.

13. ACCOUNTANTS' REPORT (Cont'd)

- II TIMB GROUP**
- 4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)**
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

4.5.31 Financial risks**(a) Credit risk**

Treaty reinsurers and brokers credit ratings are evaluated prior to entering into treaty arrangements. The Group observe the Bank Negara Malaysia Guidelines and internal Group policies in assessing the credit ratings of reinsurers and brokers.

The settlement risks are also mitigated through prompt reconciliations of records and recovery actions, avoiding at all times delays in collection from reinsurers and entering into commutations for run off reinsurers. The Group has tightened the credit collection and recovery policies to expedite collections. The Group is unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

Credit exposure

At the reporting date, the Group's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statements of financial position as shown in the table below:

	Audited			
	30.09.2012 RM'000	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
HTM financial assets:				
Malaysian government securities		-	30,135	35,385
LAR:				
Fixed and call deposits with licensed financial institutions	287,280	243,963	180,167	145,648
Loans receivable:				
Staff mortgage loans	725	759	829	739
Other staff loans:				
Secured	28	46	68	89
Unsecured	39	16	16	18
AFS financial assets:				
Debt securities	132,873	131,581	126,328	127,758
Reinsurance assets	185,289	157,966	183,333	277,282
Insurance receivables	33,455	36,805	36,630	37,636
Other receivables	33,179	22,825	17,346	18,362
Cash and bank balances	6,059	5,152	3,142	7,907
	<u>678,927</u>	<u>599,113</u>	<u>577,994</u>	<u>650,824</u>

13. ACCOUNTANTS' REPORT (Cont'd)

- ii TIMB GROUP
4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Group by classifying assets according to the Group's credit ratings of counterparties.

	Neither past-due nor impaired					Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000		
30.09.2012							
LAR:							
Fixed and call deposits with licensed financial institutions	108,683	50,436	51,195	-	76,966	-	287,280
Loans receivable:							
Staff mortgage loans	-	-	-	-	725	-	725
Other staff loans:							
Secured	-	-	-	-	28	-	28
Unsecured	-	-	-	-	39	-	39
AFS financial assets:							
Debt securities	60,713	63,821	1,035	-	7,304	-	132,873
Reinsurance assets	-	310	47,434	7,594	129,951	-	185,289
Insurance receivables	-	8	5,537	294	4,302	23,314	33,455
Other receivables	1,274	1,854	788	-	29,263	-	33,179
Cash and bank balances	(1,522)	891	998	-	5,692	-	6,059
	169,148	117,320	106,987	7,888	254,270	23,314	678,927

13. ACCOUNTANTS' REPORT (Cont'd)

- ii TIMB GROUP
4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
- 4.5.31 Financial risks (cont'd.)
- (a) Credit risk (cont'd.)
- Credit exposure by credit rating (cont'd.)

	Neither past-due nor impaired						Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000			
31.12.2011								
LAR:								
Fixed and call deposits with licensed financial institutions	77,886	75,871	16,604	-	73,602	-	243,963	
Loans receivable:								
Staff mortgage loans	-	-	-	-	759	-	759	
Other staff loans:								
Secured	-	-	-	-	46	-	46	
Unsecured	-	-	-	-	16	-	16	
AFS financial assets:								
Debt securities	55,675	68,545	-	-	7,361	-	131,581	
Reinsurance assets	-	934	47,040	8,757	101,235	-	157,966	
Insurance receivables	1,416	1,080	6,076	578	(562)	28,217	36,805	
Other receivables	1,357	1,285	112	-	20,071	-	22,825	
Cash and bank balances	4,042	756	1,352	-	(998)	-	5,152	
	140,376	148,471	71,184	9,335	201,530	28,217	599,113	

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	Neither past-due nor impaired							Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000				
31.12.2010									
HTM financial assets:									
Malaysian government securities	-	-	-	-	30,135	-	-	-	30,135
LAR:									
Fixed and call deposits with licensed financial institutions	40,594	54,962	10,000	-	74,611	-	-	-	180,167
Loans receivable:									
Staff mortgage loans	-	-	-	-	829	-	-	-	829
Other staff loans:									
Secured	-	-	-	-	68	-	-	-	68
Unsecured	-	-	-	-	16	-	-	-	16
AFS financial assets:									
Debt securities	55,770	63,150	-	-	7,408	-	-	-	126,328
Reinsurance assets	3,637	18,808	43,698	14,286	102,904	-	-	-	183,333
Insurance receivables	783	(4)	7,804	225	2,751	25,071	-	-	36,630
Other receivables	1,025	981	39	-	15,301	-	-	-	17,346
Cash and bank balances	3,371	460	894	-	(1,583)	-	-	-	3,142
	105,180	138,357	62,435	14,511	232,440	25,071	-	-	577,994

13. ACCOUNTANTS' REPORT (Cont'd)

ii TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

31.12.2009

	Neither past-due nor impaired						Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000			
HTM financial assets:								
Malaysian government securities	-	-	-	-	35,385	-	-	35,385
LAR:								
Fixed and call deposits with licensed financial institutions	-	-	-	-	145,648	-	-	145,648
Loans receivable:								
Staff mortgage loans	-	-	-	-	739	-	-	739
Other staff loans:								
Secured	-	-	-	-	89	-	-	89
Unsecured	-	-	-	-	18	-	-	18
AFS financial assets:								
Debt securities	50,348	70,055	-	-	7,355	-	-	127,758
Reinsurance assets	1,722	10,612	45,180	-	219,768	-	-	277,282
Insurance receivables	-	-	-	-	28,202	9,434	-	37,636
Other receivables	-	-	-	-	18,362	-	-	18,362
Cash and bank balances	-	-	-	-	7,907	-	-	7,907
	52,070	80,667	45,180	-	463,473	9,434	-	650,824

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Age analysis of financial assets past-due but not impaired

	Past due but not impaired					Total RM'000
	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	More than 180 days RM'000	
30.09.2012						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	5,033	1,743	1,419	598	3,431	12,224
Due from reinsurers and cedants	1,118	873	435	864	7,800	11,090
	<u>6,151</u>	<u>2,616</u>	<u>1,854</u>	<u>1,462</u>	<u>11,231</u>	<u>23,314</u>
31.12.2011						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	2,960	1,097	947	677	3,872	9,553
Due from reinsurers and cedants	6,805	113	1,027	1,809	8,910	18,664
	<u>9,765</u>	<u>1,210</u>	<u>1,974</u>	<u>2,486</u>	<u>12,782</u>	<u>28,217</u>
31.12.2010						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	3,088	965	1,426	869	1,240	7,588
Due from reinsurers and cedants	3,251	68	237	4,395	9,632	17,483
	<u>6,339</u>	<u>1,033</u>	<u>1,663</u>	<u>5,264</u>	<u>10,772</u>	<u>25,071</u>
31.12.2009						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	2,474	1,808	2,000	741	-	7,023
Due from reinsurers and cedants	966	958	487	-	-	2,411
	<u>3,440</u>	<u>2,766</u>	<u>2,487</u>	<u>741</u>	<u>-</u>	<u>9,434</u>

As at 30 September 2012 based on the assessment of the receivables, there were impaired insurance receivable of RM19,343,000. As at 31 December 2011, 2010 and 2009 based on the assessment of the receivables, there were impaired insurance receivable of RM23,005,000, RM26,764,000 and RM27,275,000, respectively. A reconciliation of the allowance for the impairment losses for the insurance receivables is disclosed in Note 4.5.7 of Section II - TIMB Group.

13. ACCOUNTANTS' REPORT (Cont'd)

- II TIMB GROUP
4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Financial risks (cont'd.)

(b) Liquidity risk

Liquidity risk is the risk where the Group is unable to meet its obligations in a timely manner at a reasonable cost at any time. The Group maintains a large tranche of liquid asset instruments, primarily bank deposits and Malaysian Government Securities, to ensure high liquidity.

Maturity profiles

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

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
30.09.2012						
LAR:						
Fixed and call deposits with licensed financial institutions	287,280	290,207	-	-	-	290,207
Loans receivable:						
Staff mortgage loans	725	2	34	689	-	725
Other staff loans:						
Secured	28	7	21	-	-	28
Unsecured	39	39	-	-	-	39
AFS financial assets:						
Equity securities	10,178	-	-	-	10,178	10,178
Unit and property trust funds	18,421	-	-	-	18,421	18,421
Debt securities	132,873	24,548	106,429	16,671	-	147,648
Reinsurance assets	185,289	36,022	75,085	31,868	42,314	185,289
Reinsurance receivables	33,455	33,455	-	-	-	33,455
Other receivables	33,179	4,682	-	260	28,237	33,179
Cash and bank balances	6,059	6,059	-	-	-	6,059
	707,526	395,021	181,569	49,488	99,150	725,228

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
30.09.2012 (cont'd.)						
Insurance contract liabilities	475,780	117,461	196,855	49,886	111,578	475,780
Insurance payables	48,486	48,486	-	-	-	48,486
Other payables	20,649	14,304	797	-	5,548	20,649
Retirement benefits	1,392	60	579	753	-	1,392
	546,307	180,311	198,231	50,639	117,126	546,307
31.12.2011						
LAR:						
Fixed and call deposits with licensed financial institutions	243,963	247,663	-	-	-	247,663
Loans receivable:						
Staff mortgage loans	759	-	25	734	-	759
Other staff loans:						
Secured	46	5	41	-	-	46
Unsecured	16	16	-	-	-	16
AFS financial assets:						
Equity securities	26,508	-	-	-	26,508	26,508
Unit and property trust funds	27,813	-	-	-	27,813	27,813
Debt securities	131,581	32,117	111,420	-	-	143,837
Reinsurance assets	157,966	89,989	66,505	1,472	-	157,966
Insurance receivables	36,805	38,805	-	-	-	36,805
Other receivables	22,825	3,472	2	-	19,351	22,825
Cash and bank balances	5,152	-	-	-	5,152	5,152
	653,434	410,067	177,993	2,206	78,824	669,090

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2011 (cont'd.)						
Insurance contract liabilities	433,817	171,530	140,771	5,537	115,979	433,817
Insurance payables	51,053	51,053	-	-	-	51,053
Other payables	16,818	10,162	437	-	6,219	16,818
Retirement benefits	1,336	231	676	429	-	1,336
	503,024	232,976	141,884	5,966	122,198	503,024
31.12.2010						
HTM financial assets:	30,135	30,202	-	-	-	30,202
Malaysian government securities						
LAR:						
Fixed and call deposits with licensed financial institutions	180,167	181,428	-	-	-	181,428
Loans receivable:	829	12	23	794	-	829
Staff mortgage loans						
Other staff loans:	68	-	68	-	-	68
Secured	16	16	-	-	-	16
Unsecured						
AFS financial assets:						
Equity securities	21,709	-	-	-	21,709	21,709
Unit and property trust funds	24,905	-	-	-	24,905	24,905
Debt securities	126,328	19,550	118,800	3,561	-	141,911
Reinsurance assets	183,333	84,038	71,356	5,058	-	183,333
Insurance receivables	36,630	36,630	-	-	-	36,630
Other receivables	17,346	2,894	2	-	14,450	17,346
Cash and bank balances	3,142	3,142	-	-	-	3,142
	624,608	357,912	190,249	9,413	83,945	641,519
Insurance contract liabilities	429,724	166,388	150,622	12,649	100,065	429,724
Insurance payables	49,305	49,305	-	-	-	49,305
Other payables	23,767	15,964	568	-	7,235	23,767
Retirement benefits	1,548	377	740	431	-	1,548
	504,344	232,034	151,930	13,080	107,300	504,344

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13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2009						
HTM financial assets:						
Malaysian government securities	35,385	5,017	30,841	-	-	35,858
LAR:						
Fixed and call deposits with licensed financial institutions	145,648	145,648	-	-	-	145,648
Loans receivable:						
Staff mortgage loans	739	739	-	-	-	739
Other staff loans:						
Secured	89	89	-	-	-	89
Unsecured	18	18	-	-	-	18
AFS financial assets:						
Equity securities	13,280	-	-	-	13,280	13,280
Unit and property trust funds	13,501	-	-	-	13,501	13,501
Debt securities	127,758	35,520	99,392	8,905	-	143,817
Reinsurance assets	277,282	112,802	98,109	7,625	58,746	277,282
Insurance receivables	37,636	37,636	-	-	-	37,636
Other receivables	18,362	2,558	2	-	15,802	18,362
Cash and bank balances	7,907	7,907	-	-	-	7,907
	677,605	347,934	228,344	16,530	101,329	694,137
Insurance contract liabilities	504,499	194,096	170,632	12,926	126,845	504,499
Insurance payables	34,419	34,419	-	-	-	34,419
Other payables	29,072	19,413	249	-	9,410	29,072
Retirement benefits	2,120	2,120	-	-	-	2,120
	570,110	250,048	170,881	12,926	136,255	570,110

13. ACCOUNTANTS' REPORT (Cont'd)**II TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.31 Financial risks (cont'd.)****(b) Liquidity risk (cont'd.)**

The table below summarises the expected utilisation or settlement of assets

	Current* RM'000	Non- current RM'000	Total RM'000
30.09.2012			
Property and equipment	-	10,049	10,049
Investment property	-	2,401	2,401
Intangible assets	-	143	143
Investments:			
LAR	287,328	744	288,072
AFS financial assets	9,773	151,699	161,472
Reinsurance assets	36,022	149,267	185,289
Insurance receivables	33,455	-	33,455
Other receivables	4,682	28,497	33,179
Cash and bank balances	6,059	-	6,059
	377,319	342,800	720,119
31.12.2011			
Property and equipment	-	10,267	10,267
Investment property	-	2,417	2,417
Intangible assets	-	153	153
Investments:			
LAR	243,984	800	244,784
AFS financial assets	20,161	165,741	185,902
Reinsurance assets	89,989	67,977	157,966
Insurance receivables	36,805	-	36,805
Other receivables	3,472	19,353	22,825
Cash and bank balances	5,152	-	5,152
	399,563	266,708	666,271

13. ACCOUNTANTS' REPORT (Cont'd)**II TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.31 Financial risks (cont'd.)****(b) Liquidity risk (cont'd.)**

	Current*	Non-current	Total
	RM'000	RM'000	RM'000
31.12.2010			
Property and equipment	-	12,433	12,433
Investment property	-	2,439	2,439
Intangible assets	-	115	115
Investments:			
HTM financial assets	30,135	-	30,135
LAR	181,080	-	181,080
AFS financial assets	15,162	157,780	172,942
Reinsurance assets	96,022	87,311	183,333
Insurance receivables	36,630	-	36,630
Other receivables	2,894	14,452	17,346
Cash and bank balances	3,142	-	3,142
	365,065	274,530	839,595
31.12.2009			
Property and equipment	-	12,721	12,721
Investment property	-	2,460	2,460
Intangible assets	-	216	216
Investments:			
HTM financial assets	5,000	30,385	35,385
LAR	146,494	-	146,494
AFS financial assets	26,290	128,249	154,539
Reinsurance assets	143,125	134,157	277,282
Insurance receivables	37,636	-	37,636
Other receivables	2,558	15,804	18,362
Cash and bank balances	7,907	-	7,907
	369,010	323,992	693,002

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

13. ACCOUNTANTS' REPORT (Cont'd)**ii TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.31 Financial risks (cont'd.)****(c) Market risk**

Market risk arises with changes in equity and bond prices. This risk is mitigated through proper initial and continuous credit evaluation of bonds and shares respectively, purchase of high grade shares and bonds, and constant watch on investment portfolio for adverse changes and opportunities.

Credit risk, especially settlement risk is mitigated with proper credit monitoring of bonds held.

Fund managers' performance are monitored constantly, parameters are prescribed to fund managers according to the Group's risk appetite on purchase of equity, bonds and unit trusts, and by placing limits on categories of purchase.

Holding of unquoted shares is progressively reduced, with an emphasis on risk and return.

Equity price risk

Management's best estimate of the effect on the net income for the year and equity due to a reasonably possible change in the FTSE Bursa Malaysia KLCI Index ("FBMKLCI") with all other variables held constant is indicated in the table below:

		<--- Increase/(decrease) --->		
		Change in FBMKLCI %	Effect on net income for the year RM'000	Effect on equity RM'000
30.9.2012				
Market indices:				
FBMKLCI	+10	-	2,132	
FBMKLCI	-10	-	(2,132)	
31.12.2011				
Market indices:				
FBMKLCI	+10%	-	4,058	
FBMKLCI	-10%	-	(4,058)	

13. ACCOUNTANTS' REPORT (Cont'd)

- II TIMB GROUP
4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)
- 4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
- 4.5.31 Financial risks (cont'd.)
- (c) Market risk (cont'd.)
- Equity price risk (cont'd.)

	Change in FBMKLCI %	Effect on net income for the year RM'000	Effect on equity RM'000
		<--- Increase/(decrease) --->	
31.12.2010			
Market indices:			
FBMKLCI	+10%	197	510
FBMKLCI	-10%	(197)	(510)
31.12.2009			
Market indices:			
FBMKLCI	+10%	810	608
FBMKLCI	-10%	(810)	(608)

Interest rate risk

The Group has no borrowings, hence limiting its exposure to interest risk to holdings in term deposits, corporate bonds and government securities. The interest and capital value of the latter may be affected by changes in the interest yield curve. The Group has an investment policy that investments are made at competitive interest rates.

Sensitivity analysis:

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income or loss and impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

13. ACCOUNTANTS' REPORT (Cont'd)

II TIMB GROUP

4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

4.5.31 Financial risks (cont'd.)

(c) Market risk (cont'd.)

Interest rate risk (cont'd.)

Sensitivity analysis (cont'd.):

	Changes in basis points	Effect on income for the year RM'000	Effect on net equity RM'000
		<--- Increase/(decrease) --->	
30.09.2012			
Interest rates	+ 100 bps	(1,616)	(5,128)
Interest rates	- 100 bps	1,616	4,975
31.12.2011			
Interest rates	+ 100 bps	(1,830)	(4,539)
Interest rates	- 100 bps	1,830	4,446
31.12.2010			
Interest rates	+ 100 bps	(1,351)	(4,551)
Interest rates	- 100 bps	1,351	4,652
31.12.2009			
Interest rates	+ 100 bps	(2,784)	(2,784)
Interest rates	- 100 bps	3,812	3,812

13. ACCOUNTANTS' REPORT (Cont'd)**II TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.32 Fair values of financial assets and liabilities**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Valuation technique using -----				Total RM'000
	Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un- observable inputs (Level 3) RM'000		
AFS financial assets:					
30.09.2012					
Equity securities:					
Quoted in Malaysia	10,003	-	-	-	10,003
Unit and property trust funds:					
Quoted in Malaysia	18,421	-	-	-	18,421
Debt securities:					
Unquoted in Malaysia	-	132,873	-	-	132,873
	28,424	132,873	-	-	161,297
31.12.2011					
Equity securities:					
Quoted in Malaysia	26,287	-	-	-	26,287
Unit and property trust funds:					
Quoted in Malaysia	27,813	-	-	-	27,813
Debt securities:					
Unquoted in Malaysia	-	131,581	-	-	131,581
	54,100	131,581	-	-	185,681

13. ACCOUNTANTS' REPORT (Cont'd)**ii TIMB GROUP****4. FINANCIAL STATEMENTS OF TIMB GROUP (CONT'D.)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)****4.5.32 Fair values of financial assets and liabilities (cont'd.)**

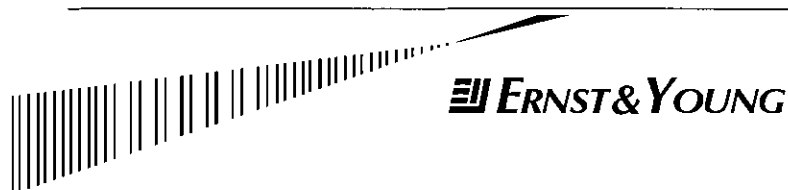
	----- Valuation technique using -----				Total RM'000
	Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	observable inputs (Level 3) RM'000	Un- observable inputs (Level 3) RM'000	
AFS financial assets (cont'd.):					
31.12.2010					
Equity securities:					
Quoted in Malaysia	21,438	-	-	-	21,438
Unit and property trust funds:					
Quoted in Malaysia	24,905	-	-	-	24,905
Debt securities:					
Unquoted in Malaysia	-	128,328	-	-	128,328
	46,343	128,328	-	-	172,671
31.12.2009					
Equity securities:					
Quoted in Malaysia	13,038	-	-	-	13,038
Unit and property trust funds:					
Quoted in Malaysia	13,501	-	-	-	13,501
Debt securities:					
Unquoted in Malaysia	-	127,758	-	-	127,758
	26,539	127,758	-	-	154,297

13. ACCOUNTANTS' REPORT *(Cont'd)*



SECTION III

**TIH Group's significant accounting policies
("Group Significant Accounting Policies")**

13. ACCOUNTANTS' REPORT (Cont'd)**III Group Significant Accounting Policies****1. Basis of preparation**

The interim financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standards 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The interim financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position only when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the statements of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group and of the Company.

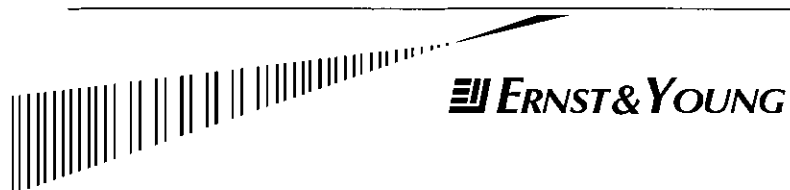
The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. Basis of consolidation**(a) Basis of consolidation and business combinations**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at reporting date.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to any non-controlling interest, even if this results in a deficit balance.



III Group Significant Accounting Policies

2. Basis of consolidation (cont'd.)

(a) Basis of consolidation and business combinations (cont'd.)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

(b) Business combinations and goodwill

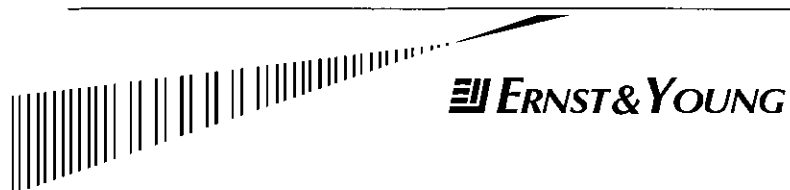
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised as measurement period adjustments in accordance with the applicable MFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****2. Basis of consolidation (cont'd.)****(b) Business combinations and goodwill (cont'd.)**

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the Group's share in the net identifiable assets acquired and liabilities assumed and net of the fair value of any previously held equity interest in the acquiree. Fair values for general reinsurance contracts are derived by calculating the present value of claims reserves. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(c) Merger method of accounting

Business combinations involving entities under common control are accounted for by applying the merger method of accounting. The acquisition of the 100% equity interest in Tune Money GenRe Ltd. ("TMGR") and Tune Money Life Re Ltd. ("TMLR") on 1 August 2011 and the 80% equity interest in Tune Insurance (Labuan) Ltd. ("TIL") on 19 September 2011 has been accounted for as a business combination among entities under common control. Accordingly, the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. The statements of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

13. ACCOUNTANTS' REPORT (Cont'd)



III Group Significant Accounting Policies

3. Summary of significant accounting policies

(a) Property and equipment

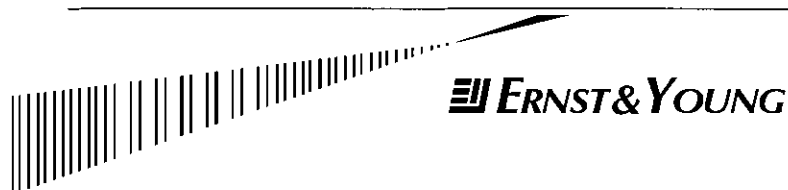
Property and equipment includes property occupied by the Group, renovations, furniture, fittings, office equipment, computers and motor vehicles. Freehold land is not depreciated and is carried at cost. Other property and equipment are stated at cost less accumulated depreciation and any impairment losses. Residual values, useful life and depreciation method are reviewed, and adjusted if appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(e).

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation of property and equipment other than freehold land is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings	2%
Renovations	10%
Motor vehicles	20%
Furniture, fittings and office equipment	12% - 17%
Computers	25%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of a property and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in profit and loss.

13. ACCOUNTANTS' REPORT (Cont'd)**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(b) Investment property**

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not significantly occupied by the Group, for use by, or in the operations of the Group, are classified as investment property. If an investment property becomes owner-occupied, it is reclassified to property and equipment at its carrying value on the date of transfer.

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, the investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(e).

Depreciation is provided for on a straight-line basis over the estimated useful life of 50 years for the investment properties. The residual values and useful lives of the investment properties are reviewed, and adjusted if appropriate, at each reporting date.

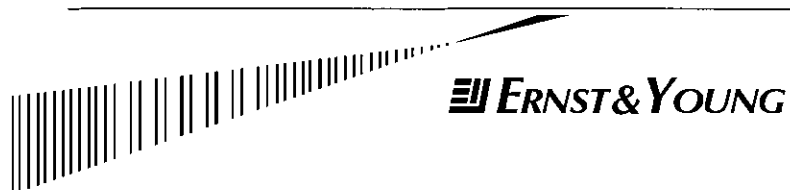
Any gains or losses on the retirement or disposal of an investment property are recognised when it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

(c) Intangible assets

Intangible assets of the Group and of the Company consist of computer software. These intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once annually at each reporting date.

13. ACCOUNTANTS' REPORT (Cont'd)**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(d) Subsidiaries**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(e) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of loss.

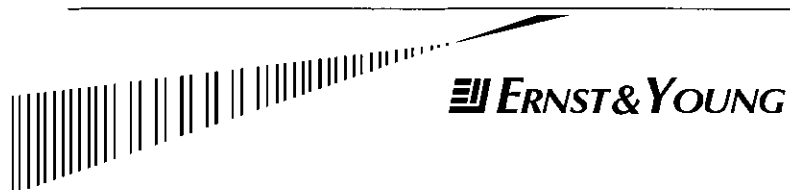
For goodwill, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that is expected to benefit from the synergies of the combination.

An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(e) Impairment of non-financial assets (cont'd.)**

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(f) Investments and financial assets

The Group classifies its investments into financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), loans and other receivables ("LAR") and available-for-sale ("AFS") financial assets.

The classification depends on the purpose for which the investments were acquired or originated.

Financial assets are classified as FVTPL where the Group's documented investment strategy is to manage financial assets on a fair value basis. The AFS and HTM categories are used when the relevant liability is passively managed and/or carried at amortised cost.

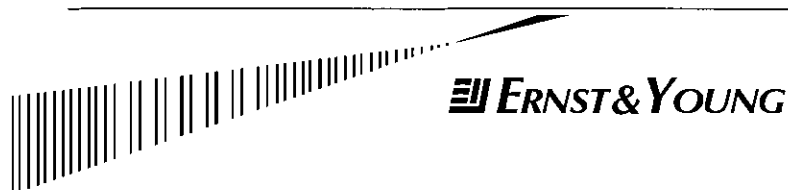
All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading and those designated as FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as FVTPL, the following must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(f) Investments and financial assets (cont'd.)*****Financial assets at FVTPL (cont'd.)***

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition these investments are measured at the fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

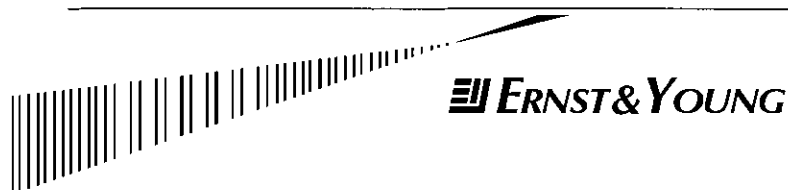
LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These investments are initially recorded at fair value.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(f) Investments and financial assets (cont'd.)*****AFS financial assets (cont'd.)***

After initial measurement, AFS financial assets are measured at fair value. Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired. Fair value gains and losses of monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to profit or loss.

(g) Fair value of financial assets

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets at the close of business on the reporting date.

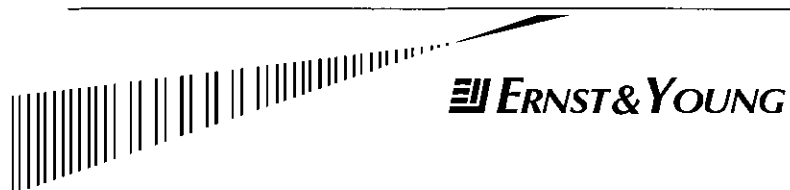
For investments in unit and property trusts, fair value is determined by reference to published bid values.

The fair values of floating rate over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placements.

The fair values of Malaysian Government Securities, Cagamas Papers and unquoted corporate bonds are determined by reference to Bond Pricing Agency Malaysia.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(h) Impairment of financial assets**

The Group assesses at each reporting date whether a financial asset or Group of financial assets is impaired.

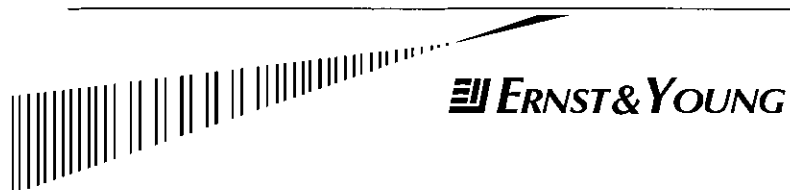
Objective evidence that an investment security is impaired includes observable data about loss events like significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that investment security because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an investment securities is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Group of financial assets with similar credit risk characteristics and the Group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment is recognised in profit and loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.



III Group Significant Accounting Policies

3. Summary of significant accounting policies (cont'd.)

(h) Impairment of financial assets (cont'd.)

Asset carried at cost

If there is objective evidence that an impairment loss on an investment security carried at cost has been incurred, the amount of the loss is measured as the difference between the security carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar security. Such impairment losses are recognised in profit or loss and not reversed in subsequent periods.

AFS financial assets

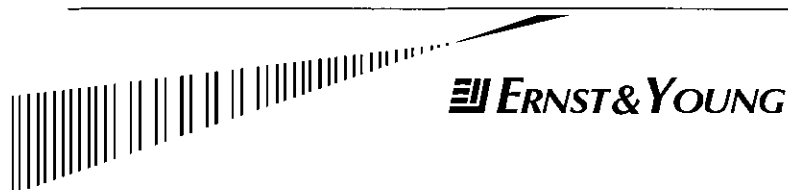
If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

When assessing the impairment of an equity instrument, the Group considers, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, impairment loss is provided.

(i) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual right to receive cash flows from the financial asset expired.
- The Group retains the contractual rights to receive cash flow from the asset but has assumed obligation to pay them in full without material delay to a third party.
- The Group has transferred its rights to receive cash flows from the asset and either:



III Group Significant Accounting Policies

3. Summary of significant accounting policies (cont'd.)

(i) Derecognition of financial assets (cont'd.)

- (a) has transferred substantially all the risks and rewards of the asset, or
- (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(j) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholder. Interim dividends are deducted from equity when they are paid.

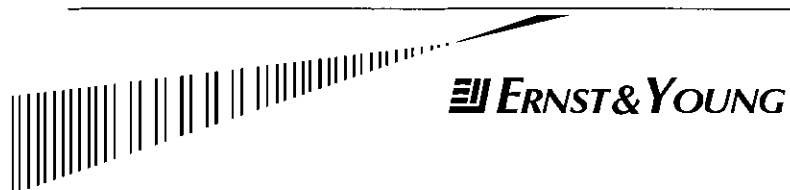
Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

(k) Product classification

The Group currently only issues contracts that transfer insurance risk.

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

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(k) Product classification (cont'd.)**

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

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

Investments contracts are those contracts that do not transfer significant insurance risk.

(l) Reinsurance

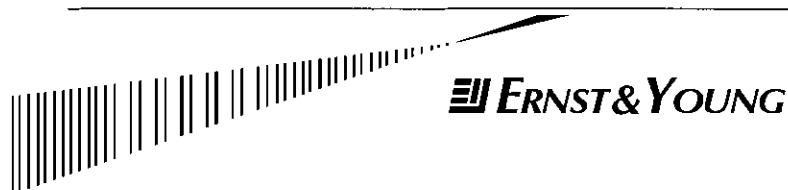
The Group assumes reinsurance risk in the normal course of business for general and life insurance contracts when applicable.

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

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

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

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

13. ACCOUNTANTS' REPORT (Cont'd)**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(l) Reinsurance (cont'd.)**

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

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

(m) General insurance/reinsurance underwriting results

The general insurance/reinsurance underwriting results are determined after taking into account premiums, movements in premium liabilities and claims liabilities and commissions.

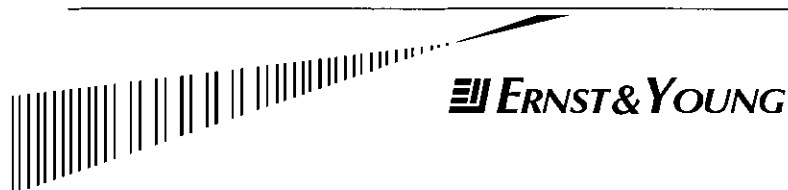
(i) Gross premiums

Gross premiums are recognised as income in a financial period in respect of risks assumed during that particular financial period.

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following individual risks' inception dates.

Inward treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(m) General insurance/reinsurance underwriting results (cont'd.)****(ii) Premium liabilities**

Premium liabilities represent the insurance/reinsurance subsidiaries' future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the insurance/reinsurance subsidiaries' unexpired risk reserves ("URR") at the end of the financial period and PRAD calculated at 75% confidence level.

(a) Unexpired risk reserves

The URR is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

URR is estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation similar to incurred but not reported claims ("IBNR").

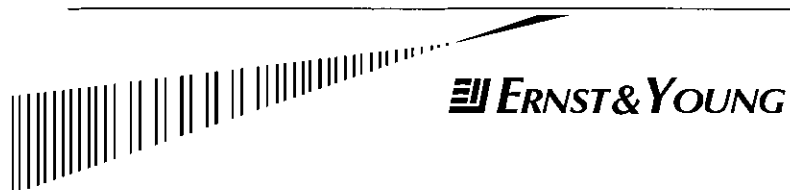
(b) Unearned premium reserves

UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at reporting date, the method that most accurately reflects the actual unearned premium used is as follows:

- 25% method for marine, aviation cargo and transit business
- 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

13. ACCOUNTANTS' REPORT (Cont'd)



III Group Significant Accounting Policies

3. Summary of significant accounting policies (cont'd.)

(m) General insurance/reinsurance underwriting results (cont'd.)

(ii) Premium liabilities (cont'd.)

(b) Unearned premium reserves (cont'd.)

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Standalone individuals	15%
- Group of 3 or more	10%
Workmen's compensation and employers' liability	
- Foreign workers	10%
- Other workers	25%
- Employers' Liability	25%
Other classes	25%

- 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for commission

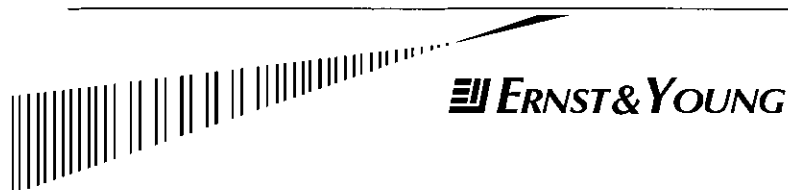
- Non-annual policies are time apportioned over the period of the risks

(iii) Claims liabilities

Claim liabilities are recognised as the obligation 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 claim liabilities which includes provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as the provision of risk margin for adverse deviation ("PRAD") at 75% confidence level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

(iv) Liability adequacy test

At each reporting date, the insurance/reinsurance subsidiaries reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Group compares all contractual cash flows against the carrying value of insurance contract liabilities. Any deficiency is recognised in the statements of comprehensive income.

13. ACCOUNTANTS' REPORT (Cont'd)**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(m) General insurance/reinsurance underwriting results (cont'd.)****(iv) Liability adequacy test (cont'd.)**

The estimation of claim and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the insurance/reinsurance subsidiaries. Based on this, all insurance contract liabilities as at the reporting date are deemed to be adequate.

(v) Acquisition cost

The gross costs of acquiring and renewing reinsurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(n) Life reinsurance underwriting results**(i) Gross premiums**

Gross premiums are recognised in a financial period in respect of risks assumed during the particular financial period. Inwards treaty reinsurance premiums are recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being inceptioned and reinsured at various inception dates of these risks and contractually accounted for under the terms of the reinsurance treaty.

(ii) Benefits payable and actuarial liabilities

Liabilities for benefits payable are recognised as advised by ceding companies. The actuarial liabilities of the life reinsurance fund is the best estimate of the expenditure required together with related expenses less recoveries to settle the obligation at the end of the financial period. The valuation of the actuarial liabilities is performed by a qualified actuary based on the retrospective method to estimate the liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(n) Life reinsurance underwriting results (cont'd.)****(iii) Liability adequacy test**

At each reporting date, the life reinsurance subsidiary reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the life reinsurance subsidiary, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the life reinsurance subsidiary compares all contractual cash flows against the carrying value of insurance contract liabilities. Any deficiency is recognised in the statement of comprehensive income.

The estimation of insurance contract liabilities performed at reporting date is part of the liability adequacy tests performed by the life reinsurance subsidiary. Based on this, all insurance contract liabilities as at the reporting date are deemed to be adequate.

(v) Acquisition cost

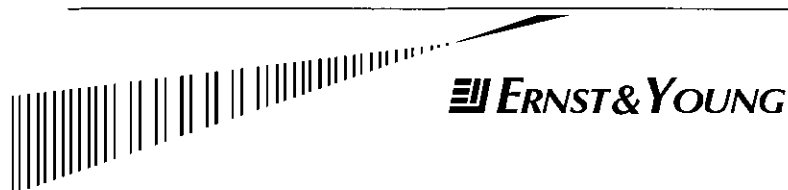
The cost of acquiring and renewing reinsurance business net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(o) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 3(e).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3(f), have been met.



III Group Significant Accounting Policies

3. Summary of significant accounting policies (cont'd.)

(p) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition insurance payables

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

(q) Other revenue recognition

Other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income represents gross dividends and is recognised on a declared basis when the shareholder's right to receive payment is established.

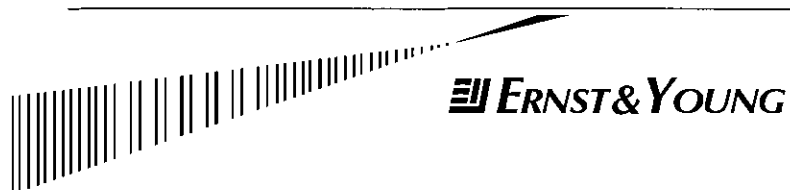
Realised gain and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original, revalued or amortised cost and are recorded on occurrence of the sale transaction.

Commission income

Commission income derived from reinsurers in the course of ceding of premiums to reinsurers are charged to profit or loss in the period in which they are incurred.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(r) Income tax**

Income tax expense for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

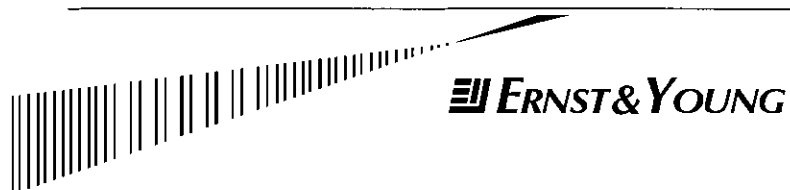
Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

For Labuan incorporated subsidiaries, the income tax represents the amount payable in respect of the chargeable profit for the year and is measured at 3% of the chargeable profit or by election under Section 7 of the Labuan Business Activity Tax Act, 1990, to pay a flat amount of RM20,000.

(s) Provisions

Provisions are recognised when the Group and the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provision are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(t) Employee benefits*****Short-term benefits***

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

Staff retirement benefits

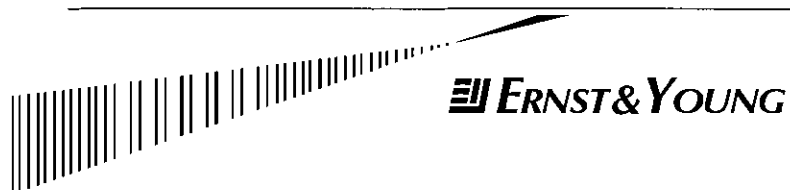
Provision for retirement benefits is made for all eligible staff in the Group from the date of employment under an unfunded defined contribution plan. For eligible executive staff, gratuity is calculated based on the last drawn monthly salary of an employee multiplied by years of service up to a maximum of 15 years. For eligible clerical staff, an additional 3% over and above the Group's monthly statutory EPF contribution is provided. The staff will be entitled to this gratuity upon completion of 5 years of service in the Group.

Other staff are entitled to additional EPF contribution between 1% to 5% over the Group's monthly statutory EPF contribution rate after completion of 1 year of service. This benefit is charged to profit or loss as incurred.

(u) Foreign currencies**(i) Functional and presentation currency**

The financial statements of the Group and the Company are recorded using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Group and the Company's functional currency.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(u) Foreign currencies (cont'd.)****(ii) Foreign currency transactions**

In preparing the financial statements of the Group and the Company, transactions in currencies other than the Group and the Company's functional currencies are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(v) Financial liabilities

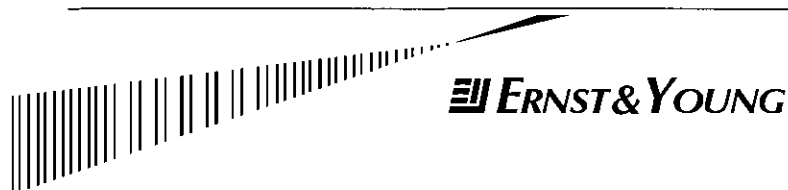
Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

All financial liabilities of the Group and the Company, comprising insurance payables, retirement benefits and other payables, except for those covered under FRS 4, are classified as other financial liabilities.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****3. Summary of significant accounting policies (cont'd.)****(v) Financial liabilities (cont'd.)**

Insurance payables, retirement benefits and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(w) Borrowing costs

Borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(x) Cash and cash equivalents

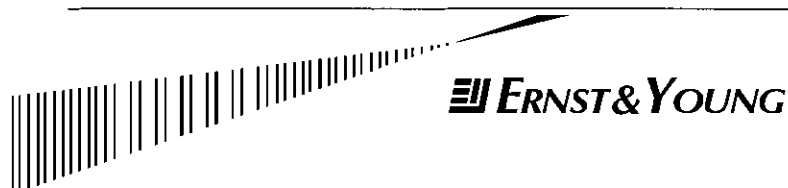
Cash and cash equivalents consist of cash in hand and deposits held at call with financial institutions with original maturities of three months or less.

(y) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)



III Group Significant Accounting Policies

4. Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following MFRSs, amendments to MFRSs and IC Interpretations have been issued by the MASB but are not yet effective and have not been adopted by the Group.

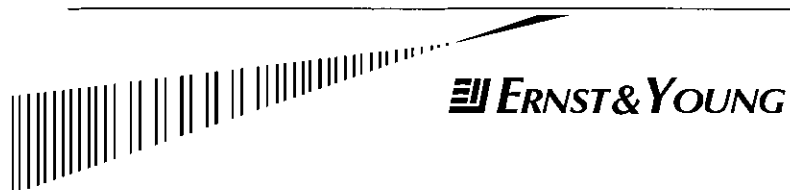
Effective for financial periods beginning on or after 1 July 2012

- Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013

- Amendments to MFRS 1 Government Loans
- Amendments to MFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)
- Amendments to MFRS 10, MFRS 11 and MFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements 2009-2011 Cycle:
 - Amendment to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
 - Amendment to MFRS 101 Presentation of Financial Statements
 - Amendment to MFRS 116 Property, Plant and Equipment
 - Amendment to MFRS 132 Financial Instruments: Presentation
 - Amendment to MFRS 134 Interim Financial Reporting
 - Amendment to IC 2 Members' Shares in Co-operatives Entities and Similar Instruments

13. ACCOUNTANTS' REPORT (Cont'd)

**iii Group Significant Accounting Policies****4. Standards issued but not yet effective (cont'd.)****Effective for financial periods beginning on or after 1 January 2014**

- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in Nov 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in Oct 2010)

The Group and the Company plans to adopt the above pronouncements when they become effective in the respective financial periods. The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements of the Group and the Company in the period of initial application.

5. Significant accounting judgements, estimates and assumptions**(a) Critical judgements made in applying accounting policies**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year such as those discussed below:

13. ACCOUNTANTS' REPORT (Cont'd)



III Group Significant Accounting Policies

5. Significant accounting judgements, estimates and assumptions (cont'd.)

(a) Critical judgements made in applying accounting policies (cont'd.)

(i) Deferred tax assets

Deferred tax assets are recognised for unutilised business losses, unutilised capital allowances, various allowances and provisions to the extent that it is probable that taxable profit will be available against which these losses, allowances and provisions can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

(ii) Income taxes

The Group is subject to income taxes in Malaysia. Significant judgement is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(iii) Property and equipment

Property and equipment requires the review of the residual value and remaining useful life of an item of property and equipment at least at each financial year end.

Management estimates that the residual values and remaining useful lives are applicable for the current financial year.

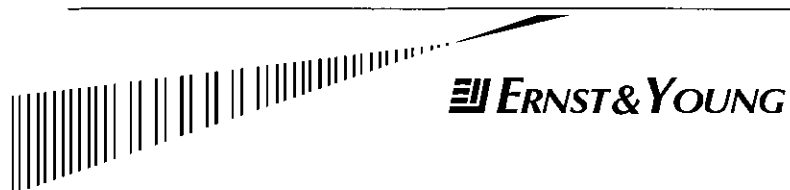
(b) Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Valuation of general insurance/reinsurance contract liabilities

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

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****5. Significant accounting judgements, estimates and assumptions (cont'd.)****(b) Key sources of estimation uncertainty and assumptions (cont'd.)****(i) Valuation of general insurance/reinsurance contract liabilities (cont'd.)**

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the liability at the reporting date. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Link Ratios.

The main assumption underlying these techniques is that the insurance/reinsurance subsidiaries' past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

13. ACCOUNTANTS' REPORT (Cont'd)

**III Group Significant Accounting Policies****5. Significant accounting judgements, estimates and assumptions (cont'd.)****(b) Key sources of estimation uncertainty and assumptions (cont'd.)****(ii) Uncertainty in accounting estimates for general insurance/reinsurance business**

The principal uncertainty in the insurance/reinsurance subsidiaries' general insurance/reinsurance business arises from the technical provisions which include the premium liabilities and claim liabilities. The premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation while claim liabilities comprise provision for outstanding claims.

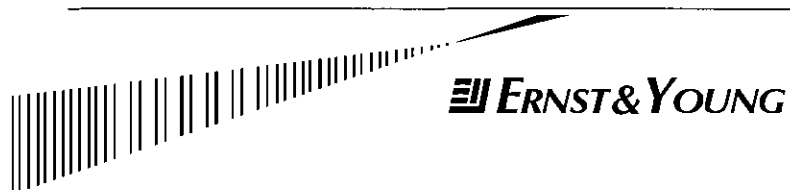
Generally, premium and claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the insurance/reinsurance subsidiaries' projections.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the insurance/reinsurance subsidiaries. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

13. ACCOUNTANTS' REPORT (Cont'd)**III Group Significant Accounting Policies****5. Significant accounting judgements, estimates and assumptions (cont'd.)****(b) Key sources of estimation uncertainty and assumptions (cont'd.)****(iii) Valuation of life reinsurance contract liabilities**

Liabilities for future policy benefits under long-term life reinsurance policies are computed based upon expected investment yields, mortality, morbidity and withdrawal (lapse) rates, and other assumptions, including a provision for adverse deviation from expected claim levels. The Company primarily relies on its own valuation (performed by a qualified external actuary) to establish actuarial liabilities. The actuarial liabilities the Company establishes may differ from those established by the ceding company due to the use of different assumptions. However, the Company relies upon its ceding company to provide accurate data, including policy-level information, premiums and claims, which is the primary information used to establish actuarial liabilities. The Company works directly with its ceding company to help ensure information is submitted by them in accordance with the reinsurance contracts.

The Company periodically reviews actual historical experience and relative anticipated experience compared to the assumptions used to establish aggregate actuarial liabilities. Because of the many assumptions and estimates used in establishing actuarial liabilities and the long-term nature of the Company's reinsurance contracts, the reserving process, while based on actuarial science, is inherently uncertain. If the Company's assumptions are inaccurate, its reserves may be inadequate to pay claims and there could be a material adverse effect on its results of operations and financial condition.

Claims payable for incurred but not reported losses are determined using case-basis estimates and lag studies of past experience or typical industry experience if own experience is unavailable or not sufficiently credible. The time lag from the date of the claim or death to the date when the ceding company reports the claim to the Company can be several months and can vary significantly by ceding company, business segment and product type. Incurred but not reported claims are estimates on an undiscounted basis, using actuarial estimates of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed and the ultimate liability may vary significantly from the amount recognized, which are reflected in net income in the period in which they are determined.

13. ACCOUNTANTS' REPORT (Cont'd)



Yours faithfully,

Ernst & Young
Ernst & Young
AF: 0039
Chartered Accountants

Brandon Bruce Sta Maria
Brandon Bruce Sta Maria
No. 2937/09/13(J)
Chartered Accountant

14. DIRECTORS' REPORT



Registered Office:

B-13-15, Level 13
Menara Prima Tower B,
Jalan PJU 1/39
Dataran Prima
47301, Petaling Jaya
Selangor Darul Ehsan

Date: 10 January 2013

The Shareholders of Tune Ins Holdings Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Tune Ins Holdings Berhad ("TIH"), I wish to report after due inquiry that during the period from 30 September 2012 (being the date to which the last audited financial statements of TIH and our subsidiaries ("Group") have been made up) to the date herein (being a date not earlier than fourteen (14) days before the issue of this Prospectus):

- (a) the business of our Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) the current assets of our Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 11.12 of this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by our Group;
- (e) there has been, since the last audited financial statements of our Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/ or principal sums in respect of any borrowings; and
- (f) save as disclosed in Section 12.9 of this Prospectus, there have been, since the last audited financial statements of our Group, no material changes in the published reserves or any unusual factors affecting the profits of our Group.

Yours faithfully

For and on behalf of the Board of Directors

TUNE INS HOLDINGS BERHAD

A handwritten signature in black ink, appearing to read "Razman Hafidz Bin Abu Zarim".

RAZMAN HAFIDZ BIN ABU ZARIM

Chairman, Independent Non-Executive Director

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) Save for the Employees' Share Option Scheme as disclosed in Section 15.3 of this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.
- (ii) Save for the Employees' Share Option Scheme as disclosed in Section 15.3 of this Prospectus, none of the capital of our Company or our subsidiary companies are under option or agreed conditionally or unconditionally to be put under option.
- (iii) Save for the Employees' Share Option Scheme as disclosed in Section 15.3 of this Prospectus, there is no scheme involving our employees in the capital of our Company or our subsidiary companies.
- (iv) Save as disclosed in Section 8.1 of this Prospectus, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company or our subsidiary companies.
- (v) Save as disclosed in Sections 15.2 and 15.6 of this Prospectus, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights in our Shares, imposed by the applicable Malaysian law or by our Memorandum and Articles of Association.

15.2 ARTICLES OF ASSOCIATION

The following provisions relate to the remuneration of directors, voting and borrowing powers of directors, transfer of securities and changes in capital and variation of class rights as reproduced from our Articles of Association ("Articles"). The words and expressions appearing in the following provisions shall bear the same meaning used in our Articles unless they are otherwise defined here or the context otherwise requires:

(i) Remuneration of Directors

Article 107 – Remuneration of Directors

The Directors shall be paid by way of remuneration for their services such fixed sum (if any) as shall from time to time be determined by an ordinary resolution of the Company in general meeting, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine, or, failing agreement, equally, except that any Director who shall hold office or part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of the remuneration related to the period during which he has held office Provided Always that:-

- (1) *the fees payable to the Directors shall not be increased except pursuant to a resolution of the Company in general meeting, where notice of the proposed increase has been given in the notice convening the general meeting;*
- (2) *on the other hand, an executive Director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors may determine;*
- (3) *fees payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover;*
- (4) *salaries payable to executive Directors may not include a commission on or percentage of turnover; and*

15. ADDITIONAL INFORMATION (Cont'd)

- (5) *any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.*

(ii) Borrowing Powers of Directors and Voting Powers***Article 121(a) – General Borrowing Powers***

- (a) *The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue debentures and other Securities, whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries.*

Article 121(b) – Restrictions on Borrowing

- (b) *The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party.*

Article 150 – Disqualification from Voting

A Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning any contract, proposed contract, arrangement or other matter in which he has directly or indirectly, a personal interest. A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

(iii) Transfer of Securities***Article 40 – Transfer of Securities***

Subject to the Act, these Articles, the Central Depositories Act, the Rules and the Regulations, the transfer of any Deposited Securities or class of Deposited Securities of the Company which have been deposited with the Depository shall be made by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such Deposited Security.

Article 44 – Transfer fully paid Securities

Subject to the Central Depositories Act, the Rules and the Regulations, any Member may transfer all or any of its Deposited Securities by instrument in writing in the form prescribed and approved by Bursa Malaysia and the Registrar (as the case may be). Subject to the provisions of the Act, the Central Depositories Act, the Rules and the Regulations, there shall be no restriction on the transfer of fully paid-up Securities, except where required by law and no Securities shall in any circumstances be transferred or transmitted to any infant, bankrupt or person of unsound mind or a person who is insolvent or to a partnership or an unincorporated body. The instruments shall be executed by or on behalf of the transferor and the transferee and all transfers of Deposited Securities shall be effected in accordance with the Act, the Central Depositories Act, the Rules and the Regulations. Every instrument of transfer shall be presented to the Depository with such evidence (if any) as the Depository may require to prove the title of the intending transferor and that the intended transferee is a qualified person.

15. ADDITIONAL INFORMATION (Cont'd)**Article 43 – Depository's Right to Refuse Transfer**

The Depository, in its absolute discretion, may refuse to register any transfer of Deposited Securities that does not comply with the Central Depositories Act and the Rules.

Article 45 – Closure of Register

The Register and the Record of Depositors shall be closed at such time for such periods as the Directors may from time to time determine provided always that the Register or the Record of Depositors shall not be closed for more than thirty (30) days in any year. The Company shall before it closes the Register and the Record of Depositors:

- (1) in the case of the Register, give notice of such intended closure in accordance with Section 160 of the Act;*
- (2) in the case of the Record of Depositors, give notice of such intended closure to Bursa Malaysia at least ten (10) Market Days before the intended date of such closure or such number of Market Days which Bursa Malaysia may stipulate from time to time including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration;*
- (3) in the case of the Record of Depositors, publish in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper, a notice of such intended closure including the information to be included in the notice referred to in Article 45(2).*

The Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors. At least three (3) Market Days prior notice shall be given to the Depository to prepare the appropriate Record of Depositors Provided that where the Record of Depositors is required in respect of corporate actions at least seven (7) Market Days prior notice shall be given to the Depository or such other notice period in accordance with the Rules to enable the Depository to issue the appropriate Record of Depositors.

Article 23 – Renunciation

The Directors may at any time after the allotment of any Security but before any person has been entered into the Register as the holder recognise a renunciation of such Security by the allottee in favour of some other person and may accord to any allottee of a Security a right to effect such renunciation on such terms and conditions as the Directors may determine.

Article 48 – Non-liability for the Company's Directors and Office in respect of Transfer

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally in-operative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside and in every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto, PROVIDED ALWAYS that where the share is a Deposited Security, subject to the Rules, a transfer or withdrawal of the share may be carried out by the person becoming so entitled.

15. ADDITIONAL INFORMATION (Cont'd)**Article 51 – Transmission of Securities**

Where-

- (1) the securities of the Company are listed on another stock exchange; and
- (2) such Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendments) Act 1998, as the case may be, under the Rules in respect of such Securities,

such Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.

(iv) Changes in Capital and Variation of Class Rights**Article 70 – Power to Increase Capital**

The Company may from time to time, by ordinary resolution in general meeting, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its share capital and/or its authorised capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs. Provided that where the capital of the Company consists of shares of different monetary denominations, voting rights (if specified in such resolution) shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

Article 71 – Rights and Privileges of New Shares

Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct and, in default of such direction, as the Directors may determine and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting.

Article 19 – Pre-emption

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible Securities for the time being unissued and not allotted and any new shares or Securities from time to time to be created shall before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or Securities which (by reason of the ratio which the new shares or Securities bear to the shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors be conveniently offered under this Article.

15. ADDITIONAL INFORMATION (Cont'd)**Article 20 – Waiver for issues**

Notwithstanding Article 19 (but subject to the Act), the Company may (if required) apply to Bursa Malaysia for a waiver from convening an extraordinary general meeting to obtain Members' approval for further issue or issues of shares (other than bonus or rights issue) where:

- (1) the aggregate issues of shares (other than bonus and rights issues and other issues of shares which have been specifically approved by the Members in an extraordinary general meeting) in any one financial year in which such further issues or issues are made do not exceed ten per cent (10%) (or such higher percentage as Bursa Malaysia may from time to time allow either in respect of a particular financial year, generally or otherwise) of the Company's issued share capital (excluding treasury shares); and
- (2) there is in force at the time of the application for such waiver, a resolution of the Company in general meeting authorising the Directors to make such further issue or issues as stated above.

Article 72 – Application of Provision to New Shares

All new shares shall be subject to the same provisions as to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the existing share capital.

Article 66 – Power to Alter Capital

The Company may from time to time in general meeting by ordinary resolution:-

- (1) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (2) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such shares may, by the resolution by which such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares;
- (3) cancel any shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; or
- (4) subject to the provisions of these Articles and the Act, convert and/or re-classify any class of shares into any other class of shares.

Article 69 – Power to Reduce Capital

The Company may from time to time by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any authorisation, and consent required by the provisions of the Act.

15. ADDITIONAL INFORMATION (Cont'd)**Article 13 – Rights of Shareholders may be Altered**

If at any time the share capital is divided into different classes of shares, the rights attached to any class shall be expressed herein or in the resolution creating the same and may subject to the provisions of the Act whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths ($\frac{3}{4}$) of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meetings the quorum shall be two (2) persons at least holding or representing by proxy one-tenth ($\frac{1}{10}$) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of section 152 of the Act shall with such adaptations as are necessary apply. A resolution in writing signed by all the holders of a class or if all the shares in a class are held by one sole holder a resolution in writing signed by such sole holder shall have the same effect and validity as a special resolution of the holders of the class passed at a separate general meeting of the holders of that class duly convened or held and constituted and may consist of several documents in the like form each signed by one or more of such holders and if a holder is a corporation, then such resolution shall be signed by its representatives.

Article 15 – Ranking of Class Rights

*The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.*

15.3 EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme will come into effect on the date of Listing and shall be in force for a period of 10 years. During the subsistence of the Employees' Share Option Scheme, we will make available new Shares not exceeding in aggregate an amount equivalent to 10% of the issued and paid-up share capital (excluding treasury shares) of our Company at any one time, to be issued following the options granted under the Employees' Share Option Scheme to our eligible employees and Directors of our Group.

The purpose of the Employees' Share Option Scheme is to, *inter alia*, recognise the contribution of our employees whose services are valued and considered vital to the operations and continued growth of our Group, retain our employees and to inculcate a greater sense of belonging and dedication amongst our employees.

Under the ByLaws as detailed in Annexure A of this Prospectus, our ESOS Committee (as defined in the ByLaws) may, at its discretion at any time and from time to time during the duration of the Employees' Share Option Scheme, make offers to our eligible employees and Directors of our Group. An eligible employee or Director of our Group (as the case may be) who accepts an offer shall pay a sum of RM1.00 as non-refundable consideration for the option. An option shall be exercisable at a price which is the higher of the weighted average market price of our Shares for five Market Days immediately preceding the date the option is offered, subject to a discount of not more than 10% which our ESOS Committee may at its discretion decide to give; or the par value of our Shares.

The new Shares to be allotted and issued upon any exercise of the options granted under the Employees' Share Option Scheme shall, upon allotment and issue, rank *pari passu* in all respects with the existing Shares in issue save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared by our Company in respect of which the entitlement dates are prior to the allotment and issue of the new Shares pursuant to the exercise of the options granted under the Employees' Share Option Scheme.

15. ADDITIONAL INFORMATION *(Cont'd)*

15.4 MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (including contracts not in writing), not being contracts in the ordinary course of business, that have been entered into by our Group within the two years preceding the date of this Prospectus:

- (i) On 20 April 2012, TIH and TMSB entered into a call option agreement with AirAsia Berhad whereby TIH and TMSB agreed to grant to AirAsia Berhad an option to acquire up to 20% of the issued and paid-up share capital of TIH at the time the call option is exercised from TMSB for a purchase consideration computed based on the net asset value of TIH at the time of exercise of the option (subject to a maximum purchase consideration of RM16,000,000.00) to be satisfied in cash;
- (ii) On 23 April 2012, TIH entered into a share sale agreement with Maika Holdings Berhad and G Team Resources & Holding Sdn Bhd whereby TIH agreed to acquire 74.17% and 3.75% of the issued and paid-up share capital of TIMB comprising 74,174,592 and 3,755,282 ordinary shares of RM1.00 each from Maika Holdings Berhad and G Team Resources & Holding Sdn Bhd respectively for a purchase consideration of RM145,753,073.28 and RM7,379,129.13 respectively to be satisfied in cash;
- (iii) On 23 April 2012, TIH entered into a share sale agreement with Gryss Holdings Sdn Bhd whereby TIH agreed to acquire 1.92% of the issued and paid-up share capital of TIMB comprising 1,920,000 ordinary shares of RM1.00 each from Gryss Holdings Sdn Bhd for a purchase consideration of RM3,772,800.00 to be satisfied in cash; and
- (iv) On 9 January 2013, TIH entered into an underwriting agreement with the Joint Underwriters for the underwriting of up to 41,346,800 Public Issue Shares for an underwriting commission of 1.5% of the total value of the underwritten Public Issue Shares at the Retail Price.

15.5 MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, neither we nor our subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Directors do not know of any proceedings pending or threatened against our Company or our subsidiary companies, or of any fact likely to give rise to any proceeding which may materially and adversely affect our financial position or business.

15.6 REGULATIONS

15.6.1 Insurance Industry in Malaysia

15.6.1.1 Legislative Framework

The insurance industry in Malaysia is governed by the Insurance Act which came into force on 1 January 1997. The Insurance Act is supplemented by the Insurance Regulations, 1996 (“**Insurance Regulations**”) which prescribe the details of mandatory requirements contained in certain provisions of the Insurance Act. In addition, the Insurance Act empowers BNM to specify matters pursuant to the provisions of the Insurance Act.

BNM may issue guidelines, circulars, or notices in respect of the Insurance Act relating to the conduct of the business and affairs of the licensed insurer. BNM, with the approval of the Minister of Finance, or the Minister of Finance, as the case may be, may make regulations for carrying into effect the objects of the Insurance Act or any provisions of the Insurance Act and for prescribing anything which is required to be prescribed under the Insurance Act.

(Source: Insurance Annual Report 2005, Sections 202 and 203 of the Insurance Act)

15. ADDITIONAL INFORMATION *(Cont'd)*

15.6.1.2 *Regulatory framework*

In addition to the functions conferred on BNM under the Central Bank of Malaysia Act, 1958, BNM shall have all the functions conferred on it by the Insurance Act.

For the purposes of the Insurance Act, insurance business shall be divided into two classes:

- (a) Life business, which in addition to all insurance business concerned with life policies shall include any type of insurance business carried on as incidental only to the life insurer's business; and
- (b) General business, which means all insurance business which is not life insurance.

Under the Insurance Act, it is stated that no licensed insurer shall carry on its licensed business unless it is a member of an association of general insurers for general insurance business, namely General Insurance Association of Malaysia.

The key objects and powers of the General Insurance Association of Malaysia are:

- To promote the establishment of sound insurance structure in Malaysia in co-operation and consultation with BNM.
- To promote and represent the interests of members in or connected with Malaysia by all means and methods consistent with the laws and Constitution of Malaysia.
- To render to members where possible such advice or assistance as may be deemed necessary and expedient.
- To take note of events, statements and expressions of opinion affecting members, to advise them thereon and represent their interests by expression of views thereon on their behalf as may be deemed necessary and expedient.
- To work as far as possible in co-operation with other similar associations elsewhere in the world.
- To circulate information likely to be of interest to members and to collect, collate and publish statistics and any other relevant information relating to general insurance.
- To work in conjunction with any legal body or any chamber or committee or commission appointed or to be appointed for consideration, framing, amendment or alteration of any law relating to insurance.
- To organise and manage arrangements and matters of common interest, concern or benefit to members or any group of members and to collect and manage funds for the same.
- To make rules, regulations and by laws in consultation with BNM.

Resolutions and circulars issued by General Insurance Association of Malaysia are binding on the member insurance companies.

(Source: Sections 3, 4 and 22 of the Insurance Act and Official Website of General Insurance Association of Malaysia)

15.6.1.3 *Licensing regime*

Under the Insurance Act, no person unless it is licensed under the Insurance Act, shall carry on insurance business. The Minister of Finance shall be responsible for the issue of a licence authorising the holder to carry on insurance business.

The Minister of Finance at any time may:

- (a) impose any condition on a licence; or
- (b) amend any condition imposed on a licence.

15. ADDITIONAL INFORMATION (Cont'd)

Pursuant to the Insurance Act:

- No licensee incorporated in Malaysia shall establish or acquire a subsidiary in or outside Malaysia without the prior written approval of BNM.
- No licensee incorporated in Malaysia shall open an office in or outside Malaysia, and no licensed foreign insurer shall open an office in Malaysia, without the prior written approval of BNM.
- No person shall enter into an agreement or arrangement to acquire or dispose of any interest in shares of a licensee incorporated in Malaysia or of its controller by which, he would, either alone or with any associate, acquire or dispose of an aggregate interest in shares exceeding five per cent of the shares of that licensee or of its controller without obtaining the prior written approval of the Minister of Finance. For the purpose of the Insurance Act, "controller" in relation to an institution, means, inter alia, a person who, either alone or with any associate (i) has interest in one-third or more of its voting shares; (ii) has the power to appoint, or cause to be appointed, a majority of its directors; or (iii) has the power to decide, or cause to be decided, in respect of its business or administration.
- No person who has obtained approval under section 67(1) of the Insurance Act or who holds more than five per cent of the shares of a licensee or of its controller, shall enter into subsequent agreement or arrangement to acquire or dispose of any interest in shares of the licensee or of its controller without obtaining the prior written approval of the Minister of Finance.
- Except where the Minister of Finance, on the recommendation of BNM, otherwise approves and subject to such condition as the Minister of Finance may impose, no person, subject to section 67 of the Insurance Act, shall hold an interest in shares:
 - (a) where that person is a licensee, of another licensee incorporated in Malaysia; or
 - (b) where that person is a person other than a licensee, of two or more licensees incorporated in Malaysia unless they are licensed insurers carrying on different classes of insurance business.
- No licensee, and no controller of a licensee, shall appoint a person as director or chief executive officer unless it has obtained the prior written approval of BNM for the proposed appointment.
- A licensed local insurer shall not pay any dividend on its shares (i) until all its capitalized expenditures (including preliminary expenses, organization expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not presented by tangible assets) has been written off; or (ii) if the payment of dividend would impair its margin of solvency.

The Minister of Finance, on the recommendation of BNM, may revoke the licence of a licensed insurer if:

- the licensed insurer has ceased to issue any new policy in respect of its licensed business;
- the licensed insurer is carrying on its business in a manner which is likely to be detrimental to the interests of its customers;
- the licensed insurer is contravening or has contravened any of the provisions of the Insurance Act or any conditions imposed on its licence or any directions given by BNM under the Insurance Act;
- the licensed insurer, or any of its officers responsible for its management, has furnished false misleading or inaccurate information or has concealed, or failed to disclose, material facts in its application for a licence or in any returns filed under the Insurance Act;
- the licensed insurer, or any of its directors or officers responsible for its management, has been convicted of an offence under the Insurance Act or an offence relating to fraud or dishonesty under any other written law;
- the licensed insurer is unable to meet its obligations under the Insurance Act, financial or otherwise;
- the licensed insurer proposes to make or has made a composition or arrangement with its creditors or has gone into liquidation or has been ordered to be wound up or otherwise dissolved;

15. ADDITIONAL INFORMATION (Cont'd)

- a receiver or manager of the property of the licensed insurer has been appointed;
- possession of property of the licensed insurer has been taken by or on behalf of a debenture holder pursuant to a charge on the property; or
- it is in the interest of the public to do so.

The Minister of Finance, on the recommendation of BNM, may revoke the licence of a licensed insurer if it is satisfied that the licensed insurer has failed to effect reinsurance arrangements appropriate to the business and has failed to comply with BNM's written direction on reinsurance arrangements.

Further, insurers are required to submit each of the following to BNM within a specified timeframe: (a) audited annual accounts; (b) auditor's reports and certificate; (c) appointed actuary's report and certificate; (d) report on the action taken by the board of directors on the auditor's report; (e) the board of directors' report on its operations; and (f) monthly and quarterly returns of each fiscal year. BNM has also issued guidelines which require an insurer to submit additional reports which, among other things, relate to such insurer's investments, claims, reinsurance, solvency and capital adequacy.

(Source: Sections 9, 13, 23, 31, 35, 36, 67, 69, 70, 80, 85, 87, 89 and 93 of the Insurance Act)

15.6.1.4 Restrictions of Business and grant of credit facility

Section 28 of the Insurance Act provides that except with the prior written approval of BNM, a licensee shall not carry on any activity in or outside Malaysia, otherwise than in connection with or for the purposes of its licensed business.

Under Section 49 of the Insurance Act, no licensed insurer shall grant a credit facility against the security of its own shares and shall not, except in such special circumstances and in such amounts as BNM may approve, grant a credit facility to:

- any of its directors;
- a company or firm in which it or any of its directors has any interest as director, partner, controller, manager or agent, or to an individual for whom or a company or firm for which any of its directors is a guarantor;
- a company in which it, or any one or more of its directors, has interest in shares of 20% or more;
- a company which has interest in shares of 20% or more in the licensed insurer; and
- a company in which the company (which has an interest in shares of 20% or more in the licensed insurer) has interest in shares of 20% or more.

15.6.1.5 Minimum Paid-Up Share Capital

Under Section 18 of the Insurance Act and Regulations 3 and 4 of the Insurance Regulations, a licensed insurer shall maintain a minimum paid-up share capital of RM100,000,000, failing which, the licensed insurer shall be liable to a penalty of RM3,000,000.00.

15.6.1.6 Margin of Solvency and Insurance Fund

Under Section 46 of the Insurance Act, a licensed insurer shall maintain a margin of solvency in respect of each class of its insurance business of such amount, and in such manner, as may be prescribed.

BNM may specify:

- (a) the class or description of assets of a licensed insurer; or
- (b) the extent of a class or description of assets of a licensed insurer, which may be taken into account for the purpose of the licensed insurer's margin of solvency.

15. ADDITIONAL INFORMATION *(Cont'd)*

A licensed insurer shall hold assets representing its margin of solvency within its respective insurance funds unless otherwise approved by BNM.

Under Section 41 of the Insurance Act and Paragraph 5.1 of the Requirements on Margin of Solvency issued by BNM, a licensed insurer shall maintain at all times, assets in its insurance funds which is of value equivalent to or higher than the liabilities of that insurance fund. Where a deficiency arises, the licensed insurer shall rectify it by way of a transfer of assets from its shareholders' funds or from other insurance fund.

15.6.1.7 *The Risk-Based Capital framework*

The Risk-Based Capital framework ("**Framework**"), is the capital adequacy framework for all insurers licensed under the Insurance Act.

The Framework which requires each insurer to maintain a capital adequacy level that is commensurate with its risk profiles has been developed based on the following principles:

- (a) Allowing greater flexibility for an insurer to operate at different risk levels in line with its business strategies, so long as it holds commensurate capital and observes the prudential safeguards set by BNM;
- (b) Explicit quantification of the prudential buffer with the aim of improving transparency;
- (c) Providing incentives for insurers to put in place appropriate risk management infrastructure and adopt prudent practices;
- (d) Promoting convergence with international practices so as to enhance comparability across jurisdictions and reduce opportunities for regulatory arbitrage within the financial sector; and
- (e) Providing an early warning signal on the deterioration in capital adequacy level, hence allowing prompt and pre-emptive supervisory actions to be taken.

Under the Framework, each insurer is required to determine the adequacy of the capital available in its insurance and shareholders' funds to support the total capital required by the insurer, which serves as a key indicator of the insurer's financial resilience and will be used as input by BNM to determine if any supervisory intervention by BNM is required on the insurer. The Framework also sets out the statutory valuation bases for insurers' assets and liabilities and BNM's expectation on the investments and risk management policies of insurers.

The board of directors and senior management of the licensed insurer are responsible to ensure that risks which are not adequately addressed under the Framework are properly identified, monitored and controlled. This includes periodic reviews of the strategies, internal policies and decision-making processes with respect to the risks that insurers assume. Licensed insurers are also expected by BNM to actively manage their capital adequacy by taking into account the potential impact of business strategies on the insurer's risk profile and overall financial resilience.

The Framework is imposed by the Minister of Finance, pursuant to Section 23 of the Insurance Act as a licensing condition for insurers and is effective from 1 January 2009. The Framework is applicable to all insurers, including reinsurers, licensed under the Insurance Act for businesses generated from within and outside Malaysia. The Framework is applied to insurance business generated outside Malaysia to mitigate the risks of losses that may arise from the foreign business that would adversely affect the capital adequacy position of the insurer and compromise the insurer's ability to meet its obligations to policyholders and beneficiaries in Malaysia.

15. ADDITIONAL INFORMATION (Cont'd)**Capital Adequacy Ratio and Supervisory Target**

Presently, all insurance service providers are required to have a minimum capital adequacy ratio of 130% (which is also the supervisory target capital level set by BNM). The supervisory target set by BNM serves as a benchmark against which an insurer establish its own higher internal target and as a matter of policy, BNM does not expect any insurer to set its internal target below the supervisory target level.

When an insurer's capital adequacy ratio breaches its own internal target but remains above the supervisory target, BNM will assess the circumstances and the insurer's remedial plans to restore capital adequacy ratio above its internal target, before deciding on the level of supervisory intervention required. An insurer which fails to comply with the minimum capital adequacy ratio will face strict supervisory action by BNM which may include business restrictions and/or restructuring measures.

Restrictions on Payment of Dividends

Under the Framework, an insurer shall not pay dividends on its shares if its capital adequacy ratio position is less than its internal target capital level or if the payment of dividend would impair its capital adequacy ratio position to below its internal target. In addition, BNM has the power to impose restrictions on insurers to make discretionary payments, including payment of interest or redemption of capital instruments.

Investment and Risk Management Policy

The Framework provides that the oversight of and accountability for, the investment of insurance funds rests ultimately with the board of directors of the insurer. To ensure proper investment of insurance funds, insurers must put in place an investment and risk management policy that is in line with the risk appetite set by the board of directors of the insurer. The investment and risk management policy should be approved and reviewed regularly by the board of directors of the insurer and cover overall investment strategy and proper risk management systems, including monitoring and control mechanisms.

However, BNM may impose requirements on an individual insurer to invest in a specified manner, or restrict or prohibit an insurer from investing in certain asset classes or individual asset to safeguard insurance funds. Such requirements, restrictions or prohibitions will form part of supervisory actions as a result of BNM's assessment of an insurer's risk profile and investment risk management function.

Appointment of Actuary

In order to ensure that the value of insurance liabilities and the various components of the solvency computation are determined in accordance with the standards set out in the Framework, insurers are required to appoint a suitably qualified actuary to perform the required computations.

Under the Framework, a general insurer shall seek BNM's approval to appoint a signing actuary, by application in writing, at least one month before the end of each financial year.

(Source: Guidelines issued by Prudential Financial Policy Department BNM/RH/GL 003-24)

15.6.1.8 Takaful and Insurance Benefits Protection Systems

Pursuant to Section 36 of the Malaysia Deposit Insurance Corporation Act, 2011, a company carrying on insurance business under Section 16 of the Insurance Act is deemed to be a member of Malaysia Deposit Insurance Corporation ("PIDM").

The Takaful and Insurance Benefits Protection Systems (which replaces the existing Insurance Guarantee Scheme Fund administered pursuant to the Insurance Act) was introduced by PIDM on 31 December 2010 and operates as an explicit compensation scheme to protect consumers of the insurance industry in the event of a failure of an insurer.

15. ADDITIONAL INFORMATION (Cont'd)

(Source: Section 36 of the Malaysia Deposit Insurance Corporation Act, 2011 and Financial Stability and Payment Systems Report 2010)

15.6.1.9 Reinsurance

Section 57(1) of the Insurance Act provides that a licensed insurer shall enter into reinsurance arrangements which are consistent with sound insurance principles.

In this respect, BNM issued the Guidelines on General Reinsurance Arrangements which set out the minimum standards which must be observed by insurers in drawing up their reinsurance programmes. Under the Guidelines on General Reinsurance Arrangements, the general principles to be observed in a reinsurance arrangement are the appropriateness of retention level, security of reinsurers, spread of reinsurers and appropriateness of reinsurance contracts. An insurer is required both to design its reinsurance programme in line with its exposure and portfolio of business, taking into account, among others, its insurance risk profile and the concentration of its business and to ensure that its reinsurance arrangements provide adequate protection for all classes of business underwritten to enable it to pay its liabilities as they come due. In placing reinsurance in respect of general insurance, an insurer must accord priority to local reinsurers up to such locally incorporated reinsurers' full retention capacity before securing reinsurance from Labuan incorporated insurers and subsequently foreign incorporated insurers.

15.6.1.10 Internet Insurance

The Guidelines on Internet Insurance was formulated by BNM in view of the potential risks in internet insurance. The said guidelines serve to prescribe the minimum requirements which insurers should observe in the provision of internet insurance. Whilst the internet enhances the environment in which insurance products can be better advertised, purchased, delivered and serviced, the protection of policy owners' interests should not be compromised. Hence any insurer, who utilises the internet as a channel to transact with customers or as a platform for transmission of customers' information, is required to seek BNM's prior approval before conducting any activities online.

(Source: The Guidelines on Internet Insurance)

15.6.1.11 Anti-Money Laundering and Anti-Terrorism Financing Act, 2001 ("AMLATFA")

Under Section 3 and the First Schedule of the AMLATFA, insurance companies are categorised as "reporting institutions" and are subject to the Anti-Money Laundering and Counter Financing of Terrorism Sectoral Guidelines 2 for Insurance and Takaful Industries.

To ensure that all new insurance products or services as well as delivery mode does not create an avenue for money laundering and terrorism financing activities, insurance companies have to ensure that prior to the launch of any new insurance products or services or engagement of a new technology, controls to combat money laundering and terrorism financing practices are in place to address any risks these new products/services or technology may pose. As further required under the Anti-Money Laundering and Counter Financing of Terrorism Sectoral Guidelines 2 for Insurance and Takaful Industries, insurance companies have to verify and be satisfied with the identity or the policyholders and beneficiaries as well as the nature and legitimacy of the insurance transaction. Insurance companies should not commence business relations or perform any transaction, or in the case of existing business relations with customers, insurance companies should terminate such business relations if the customer fails to comply with the customer due diligence requirements and consider lodging a suspicious transaction report with the financial intelligence unit in BNM.

(Source: AMLATFA and the Anti-Money Laundering and Counter Financing of Terrorism Sectoral Guidelines 2 for Insurance and Takaful Industries)

15. ADDITIONAL INFORMATION *(Cont'd)*

15.6.1.12 Ownership Restrictions

Subject to the approval of BNM for each relevant proposal and transaction, flexibility has been accorded for an increase in the foreign equity limits from 49% to 70% for any proposal or transaction concerning the acquisition of equity interest in insurance companies.

(Source: Liberalisation of the Financial Sector, Press Statement dated 27 April 2009 by Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak, Prime Minister of Malaysia.)

15.6.2 Labuan Insurance Business

15.6.2.1 Legislative Framework

All insurance and reinsurance related entities set up in Labuan International Business and Financial Centre ("Labuan IBFC") are regulated under the LFFSA, Part VII, specifically provisions contained in Sections 102 to 107 of the LFSSA.

15.6.2.2 Regulatory framework

The Labuan insurance business is regulated by Labuan FSA.

Pursuant to Section 103(1)(f) of the LFSSA, an applicant for a Labuan insurance licence shall satisfy the Labuan FSA that it will become a member of an association of Labuan insurers, namely Labuan International Insurance Association which was registered with the Registrar of Societies on 25 May 1998. The objectives for which the association is established are:

- To obtain and represent the views of the membership and to represent these views to the Labuan FSA.
- To promote and represent the interests of the membership by only means and methods consistent with the laws of the Labuan IBFC of the Federal Territory of Labuan.
- To take note of all events, statements and expressions of opinion affecting the membership to advise it thereon and to represent its interests by expression of views thereon on its behalf.
- To work in conjunction with any legal body or any chamber or committee or commission appointed or to be appointed for the consideration, framing, amendment or alteration of any law relating to insurance.

(Source: The Official Website of Labuan International Insurance Association)

15.6.2.3 Licensing Regime

The range of Labuan insurance activities regulated under the LFSSA includes:

- Insurance and reinsurance.
- Takaful and retakaful business.
- Captive insurance.
- Such other offshore insurance business as may be approved by Labuan FSA.

Pursuant to the LFSSA, the Labuan insurer shall obtain approval from the Labuan FSA prior to effecting, inter alia, the following matters:

- The making of any amendment or alteration to any of its constituent documents, or prior to any change of its person in control, director or principal officer.
- Amendment or alteration to any information which had been furnished to Labuan FSA in connection with the application for the insurance licence.
- Any change in participant of the Labuan insurer who holds fifteen per centum (15%) or more of the paid-up capital of the applicant.

15. ADDITIONAL INFORMATION (Cont'd)

- Open any office other than its principal place of business in Labuan, or acquire or establish any subsidiary.

(Source: Sections 107 and 112 of the LFSSA)

Pursuant to Section 167 of the LFSSA, Labuan FSA may revoke any consent, licence or registration made under the LFSSA:

- at the request of the licensed entity; or
- in the case where:
 - (a) the licensed entity has ceased to carry on business in or from within Labuan;
 - (b) the licensed entity has contravened any provision of the LFSSA or any terms, conditions, restrictions or limitations attached to the licence or registration as the case may be;
 - (c) Labuan FSA has, either in connection with the application for the licence or registration, or at any time after the grant of the licence or registration, been provided with false or misleading information, document or declaration by or on behalf of the licensed entity;
 - (d) the licensed entity has been convicted of an offence under the LFSSA or of a criminal offence in any recognised country or jurisdiction;
 - (e) the licensed entity has knowingly and wilfully supplied false, misleading or inaccurate information or failed to disclose information required under the LFSSA;
 - (f) the licensed entity is carrying on business in a manner that the Labuan FSA reasonably believes to be detrimental to the interests of, in the case of licensed entities under Part III, LFSSA investors of mutual funds, or to the public interest;
 - (g) the licensed entity is declared bankrupt or has been wound-up or otherwise dissolved;
 - (h) a resolution for the licensed entity's voluntary winding-up has been passed;
 - (i) Labuan FSA in its discretion deems fit for any other reason.

15.6.2.4 Margin of Solvency

Pursuant to Section 109 of LFSSA, every Labuan insurer, including an insurance licensee which carries on Labuan captive insurance business, shall ensure that the realisable value of its assets exceeds the amount of its liabilities by a margin in such an amount or calculated in such manner as may be specified in writing by Labuan FSA from time to time.

15.6.2.5 Restriction in Business

Pursuant to Section 113 of the LFSSA, no Labuan insurer shall carry on any business activities in Labuan or elsewhere from its office in Labuan other than its Labuan insurance business or business activities in connection with or for the purposes of such Labuan insurance business.

Notwithstanding the definition of "Labuan insurance business" and notwithstanding the paragraph above, a Labuan insurer may carry on the reinsurance of domestic insurance business, including the reinsurance of domestic insurance business transacted in the Malaysian currency and such other business as may be specified by Labuan FSA.

15.6.2.6 Anti-Money Laundering and Anti-Terrorism Financing Act, 2001 ("AMLATFA")

Pursuant to Section 14 of the AMLATFA, reporting institutions shall promptly report to the competent authority any transaction:

- (a) exceeding the amount as the competent authority may specify; and
- (b) where the identity of the persons involved, the transaction itself or any other circumstances concerning that transaction gives any officer or employee of the reporting institution reason to suspect that the transaction involves proceeds of an unlawful activity.

15. ADDITIONAL INFORMATION *(Cont'd)*

For the purposes of AMLATFA, “*reporting institution*” includes any person who is licensed under the Offshore Insurance Act which was repealed by the LFSSA.

15.6.2.7 *Ownership Restrictions*

There are no ownership restrictions in the Labuan insurance business as a foreign Labuan company is eligible to apply for the insurance licence to carry on insurance business in Labuan.

(Source: Section 103 of the LFSSA)

15.7 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

We are not affected by any requirement in respect of the repatriation of capital and remittance of profit by or to our Group as we have not established any place of business outside Malaysia.

15.8 PUBLIC TAKE-OVER OFFERS

Save as disclosed below, none of the following has occurred in the last financial year or the current financial year up to the LPD:

- (i) Public take-over offers by third parties for our Shares; and
- (ii) Public take-over offers by our Company for other companies' shares.

In May 2012, we completed the acquisition of 79.84% interest in TIMB. Following the acquisition, our Company 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. The mandatory general offer closed on 9 July 2012 and we now hold 83.26% in TIMB. The acquisition of TIMB and the mandatory general offer was settled in cash, which was funded by bank borrowing and advances from our shareholder.

15.9 CONSENTS

The written consents of our Principal Adviser, Co-Adviser, Joint Global Coordinators, Joint Bookrunners, Joint Underwriters, Solicitors, Principal Bankers, Issuing House, Share Registrar and Company Secretary for inclusion in this Prospectus of their names and all references thereto in the manner, form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report, Letter on the Pro Forma Consolidated Financial Information and all references thereto in the manner, form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consents of the Independent Market Researchers for the inclusion in this Prospectus of their names and the IMR Report and all references thereto in the manner, form and context in which they appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

15.10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our Registered Office during normal business hours for a period of 12 months from the date of this Prospectus:

- (i) Memorandum and Articles of Association of our Company;
- (ii) Material contracts as referred to in Section 15.4 of this Prospectus;
- (iii) Contracts as referred to in Section 6.18 of this Prospectus;

15. ADDITIONAL INFORMATION (Cont'd)

- (iv) Reporting Accountants' Letter on the Pro Forma Consolidated Financial Information as included in Section 12.9 of this Prospectus;
- (v) Accountants' Report as included in Section 13 of this Prospectus;
- (vi) IMR Report referred to in this Prospectus as included in Section 7 of this Prospectus;
- (vii) Directors' Report as included in Section 14 of this Prospectus;
- (viii) Audited financial statements of our Company and subsidiary companies for FY2009, FY2010 and FY2011;
- (ix) Audited financial statements of our Company and subsidiary companies for 9M2012; and
- (x) Letters of consent as referred to in Section 15.9 of this Prospectus.

15.11 RESPONSIBILITY STATEMENT

Our Directors, Promoters and Offeror have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

RHB Investment Bank, being our Principal Adviser, 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.

KIBB, being our Co-Adviser, 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.

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16. PROCEDURES FOR APPLICATION AND ACCEPTANCE

16.1 OPENING AND CLOSING OF APPLICATION

Application for our Public Issue Shares pursuant to the Retail Offering will open at 10.00 a.m. on 23 January 2013 and will remain open until 5.00 p.m. on 4 February 2013 or such later date or dates as our Board, Principal Adviser, Co-Adviser, Joint Global Coordinators and Joint Bookrunners, may mutually decide at their absolute discretion. Any extension of the closing date of application will be published in a widely circulated English and Bahasa Malaysia newspaper in Malaysia prior to the original closing date of application. **Late applications will not be accepted.**

16.2 ELIGIBILITY

You can only apply for our Public Issue Shares pursuant to the Retail Offering if you fulfil **all** of the following:

- (i) You must have a CDS account. If you do not have a CDS account, you may open one by contacting any of the ADAs listed in Section 16.11 of this Prospectus;
- (ii) You must be **one** of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the closing date of the application; or
 - (b) a corporation/ institution incorporated in Malaysia or outside Malaysia with a Malaysian address ; or
 - (c) a superannuation, co-operative, foundation, provident or pension fund established or operating in Malaysia.

We will not accept applications from trustees, persons under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations / institutions referred to in (b) or (c) above.

- (iii) You are not a director or employee of our Issuing House or their immediate family members.

16.3 CATEGORY OF INVESTORS

Application for the Public Issue Shares pursuant to the Retail Offering must be made using the method designated for each of the three categories of investors as follows:

Category of investors	Application Method
Malaysian Public (for individuals)	White Application Form or Electronic Share Application ⁽¹⁾ or Internet Share Application ⁽²⁾
Malaysian Public (for non-individuals, e.g. corporations, institutions, etc.)	White Application Form
Eligible Directors, employees and persons who have contributed to the success of our Group	Pink Application Form

Note:

⁽¹⁾ *The following processing fee per Electronic Share Application will be charged by the respective Participating Financial Institutions:*

- *Affin Bank Berhad – No fee will be charged for application by their account holders*

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- *AmBank (M) Berhad – RM1.00;*
- *CIMB Bank Berhad – RM2.50;*
- *HSBC Bank Malaysia Berhad – RM2.50;*
- *Malayan Banking Berhad – RM1.00;*
- *Public Bank Berhad – RM2.00;*
- *RHB Bank Berhad – RM2.50; or*
- *Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50.*

⁽²⁾ *The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institutions:*

- *Affin Bank Berhad (www.affinOnline.com) – No fee will be charged for application by their account holders*
- *CIMB Investment Bank Berhad (www.eipocinb.com) – RM2.00 for payment via CIMB Bank Berhad or Malayan Banking Berhad;*
- *CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 for applicants with CDS accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS accounts with other ADAs;*
- *Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;*
- *Public Bank Berhad (www.pbebank.com) – RM2.00; and*
- *RHB Bank Berhad (www.rhb.com.my) – RM2.50.*

16.4 PROCEDURES FOR APPLICATION

Only one application from each applicant will be considered and an application must be for at least 100 Shares or multiples thereof. **Multiple applications will not be accepted.** If you submit multiple applications in your own name or by using the name of others, with or without their consent, you commit an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1 million and a jail term of up to 10 years under Section 182 of the CMSA.

16.4.1 Procedures for application by way of an Application Form

The public, the identified investors and other investors should follow the following procedures in making an application:

Step 1: Obtain application documents

Obtain the Application Form together with the Official 'A' and 'B' envelopes and this Prospectus. These documents can be obtained subject to availability from the following parties:

- (i) the Principal Adviser;
- (ii) the Co-Adviser;
- (iii) participating organisations of Bursa Securities;
- (iv) members of the Association of Banks in Malaysia;
- (v) members of the Malaysian Investment Banking Association; and
- (vi) our Issuing House.

Step 2: Read the Prospectus

In accordance with Section 232(2) of the CMSA, the Application Form is accompanied by this Prospectus. You are advised to read and understand this Prospectus before making your application.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**Step 3: Complete the Application Form**

Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in this Prospectus.

(i) Personal particulars

You must ensure that your personal particulars submitted in your application are identical with the records maintained by Bursa Depository. Please inform Bursa Depository promptly of any changes to your personal particulars.

If you are an individual and you are not a member of the armed forces or police, your name and national registration identity card ("NRIC") number must be the same as that stated in:

- (a) your NRIC;
- (b) any valid temporary identity document issued by the National Registration Department from time to time; or
- (c) your 'Resit Pengenalan Sementara (JPN KP 09)' issued pursuant to Peraturan 5(5), Peraturan-peraturan Pendaftaran Negara 1990.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be the same as that stated in your authority card.

If you are a corporation/institution, your name and incorporation number must be the same as that stated in your certificate of incorporation.

(ii) CDS account number

You must state your CDS account number in the space provided in the Application Form. Invalid, nominee or third party CDS accounts will **not** be accepted.

(iii) Details of payment

You must state the details of your payment in the appropriate boxes provided in the Application Form.

(iv) Number of Shares applied

Your application must be for at least 100 Shares or multiples thereof.

Step 4: Prepare appropriate form of payment

Prepare the correct form of payment in RM for the FULL amount payable for our IPO Shares based on the Retail Price, which is RM1.55 per IPO Share.

Payment must be made in favour of '**MIH SHARE ISSUE ACCOUNT NO. 538**' and crossed '**A/C PAYEE ONLY**' (excluding ATM statements) and endorsed on the reverse side with your name and address. We only accept the following forms of payment:

- (i) banker's draft or cashier's order purchased within Malaysia only and drawn on a bank in Kuala Lumpur; or
- (ii) money order or postal order (for applicants from Sabah and Sarawak only); or
- (iii) Guaranteed Giro Order ("GGO") from Bank Simpanan Nasional Malaysia Berhad; or

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

(iv) ATM statement obtained only from any of the following financial institutions:

- AFFIN BANK BERHAD; or
- ALLIANCE BANK MALAYSIA BERHAD; or
- AMBANK (M) BERHAD; or
- CIMB BANK BERHAD; or
- HONG LEONG BANK BERHAD; or
- MALAYAN BANKING BERHAD; or
- RHB BANK BERHAD.

We will not accept applications with excess or insufficient remittances or inappropriate forms of payment.

Step 5: Finalise application

Insert the Application Form with the appropriate payment and a legible photocopy of your identification document (NRIC/valid temporary identity document issued by the National Registration Department/'Resit Pengenalan Sementara (JPN KP09)'/authority card/certificate of incorporation) into the Official 'A' envelope and seal it. Write your name and address on the outside of the Official 'A' and 'B' envelopes. The name and address written must be identical to your name and address as per your NRIC/valid temporary identity document issued by the National Registration Department/'Resit Pengenalan Sementara (JPN KP09)'/authority card/certificate of incorporation. Affix a stamp on the Official 'A' envelope and insert the Official 'A' envelope into the Official 'B' envelope.

Step 6: Submit application

You can submit your application in the Official 'B' envelope by either one of the following methods:

(i) despatch by **ORDINARY POST** to:

Malaysian Issuing House Sdn Bhd (258345-X)
 Level 6, Symphony House
 Pusat Dagangan Dana 1
 Jalan PJU 1A/46
 47301 Petaling Jaya
 P.O. Box 8269
 Pejabat Pos Kelana Jaya
 46785 Petaling Jaya

(ii) **DELIVERY BY HAND** and deposit in the Drop-in Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 4 February 2013 or such later date or dates as our Board, the Principal Adviser, Co-Adviser, Joint Global Coordinators and Joint Bookrunners, may mutually decide at their absolute discretion.

No acknowledgement of receipt of Application Form or application monies will be made.

16.4.2 Procedures for application by way of an Electronic Share Application (for individual Malaysian public only)

Applications for our IPO Shares by way of ESA are only applicable to Malaysian public who are individuals. Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for ESA and the procedures set out on the ATM screens of the Participating Financial Institution before making an ESA.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

(i) Steps for Electronic Share Application through a Participating Financial Institution's ATM

You may apply for our IPO Shares *via* the ATM of the Participating Financial Institution by choosing the ESA option. Mandatory statements required for the application are set out in Section 16.4.3 below. You are to enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your ESA require you to do so:

- Personal Identification Number ("PIN");
- **MIH Share Issue Account Number 538**;
- CDS Account Number;
- Number of IPO Shares applied for and/or the RM amount to be debited from the account; and
- Confirmation of several mandatory statements.

(ii) Participating Financial Institutions

ESA may be made through an ATM of the following Participating Financial Institutions and their branches:

- AFFIN BANK BERHAD; or
- AMBANK (M) BERHAD; or
- CIMB BANK BERHAD; or
- HSBC BANK MALAYSIA BERHAD; or
- MALAYAN BANKING BERHAD; or
- PUBLIC BANK BERHAD; or
- RHB BANK BERHAD; or
- STANDARD CHARTERED BANK MALAYSIA BERHAD (at selected branches only).

16.4.3 Terms and conditions of Electronic Share Application

The procedures for ESA are set out on the ATM screens of the relevant Participating Financial Institutions ("Steps"). For illustration purposes, the procedures for ESA at ATMs are set out in Section 16.4.2(i) above. The Steps set out the actions that you must take at the ATM to complete an ESA. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for ESA set out below before making an ESA.

You must have a CDS Account to be eligible to utilise the facility. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted. You must have an existing account with, and be an ATM cardholder of, one of the Participating Financial Institutions before you can make an ESA. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our IPO Shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of your ESA transaction, you will receive a computer-generated transaction slip ("Transaction Record") confirming the details of your ESA. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the ESA or any data relating to such an ESA by our Company or our Issuing House. You must retain the Transaction Record and should not submit the Transaction Record with any Application Form.

Upon the closing of offer for the application for our IPO Shares on 4 February 2013 at 5.00 p.m. or such later date or dates as our Board, the Principal Adviser, Co-Adviser, Joint Global Coordinators and Joint Bookrunners, in their absolute discretion may mutually decide ("Closing Date and Time"), the Participating Financial Institutions shall submit magnetic tapes containing their respective customers' applications for our IPO Shares to our Issuing House as soon as practicable but not later than 12.00 p.m. of the 2nd business day after the Closing Date and Time.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

You are allowed to make an ESA for our IPO Shares *via* an ATM that accepts the ATM cards of the Participating Financial Institution with which you have an account at one of its branches, subject to you making only one application.

You must ensure that you use your own CDS account number when making an ESA. If you have a joint account with any Participating Financial Institution, you must ensure that you enter your own CDS account number when using an ATM card issued to you in your own name. Your application will be rejected if you fail to comply with the foregoing.

The ESA shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (i) The ESA shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.
- (ii) You are required to confirm the following statements (by pressing predesignated keys (or buttons) on the ATM keyboard) and undertake that the following information given is true and correct:
 - You have attained 18 years of age as at the closing date of the share application;
 - You are a Malaysian citizen residing in Malaysia;
 - You have read this Prospectus and understood and agreed with the terms and conditions of this application;
 - This is the only application that you are submitting; and
 - You hereby give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to you and your account with the Participating Financial Institution and Bursa Depository to our Issuing House or other relevant regulatory bodies.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institution. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Central Depositories Act to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to our Issuing House, or any relevant regulatory bodies.

- (iii) You confirm that you are not applying for our IPO Shares as a nominee of any other person and that any ESA that you make is made by you as the beneficial owner. You shall only make one ESA and shall not make any other application for our IPO Shares, whether at the ATMs of any Participating Financial Institution or on the prescribed Application Forms.
- (iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your ESA, failing which your ESA will not be completed. Any ESA, which does not strictly conform to the instructions set out on the screens of the ATM through which the ESA is being made, will be rejected.
- (v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your ESA. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your ESA is successful, your confirmation (by your action of pressing the designated key on the ATM) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles of Association.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (vi) Our Issuing House, on the authority of our Directors, reserves the right to reject any ESA or accept any ESA in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.
- (vii) If your ESA is not accepted or accepted in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful application within two (2) Market Days after the balloting date. If your ESA is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies without interest into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from our Issuing House. You may check your account on the fifth (5th) Market Day from the balloting date.

If your ESA is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from our Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications which are subsequently rejected, the application monies without interest will be refunded to you by our Issuing House by crediting into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from our Issuing House.

Should you encounter any problems with your application, you may refer to the Participating Financial Institutions.

- (viii) You request and authorise us:
 - (a) to credit our IPO Shares allotted or allocated to you into your CDS account; and
 - (b) to issue share certificate(s) representing such IPO Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (ix) You acknowledge that your ESA is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control, our Issuing House or the Participating Financial Institution and irrevocably agree that if:
 - (a) our Company or our Issuing House did not receive your ESA; and
 - (b) data relating to your ESA is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or Issuing House,

you shall be deemed not to have made an ESA and you shall not claim whatsoever against our Company, our Issuing House or the Participating Financial Institution for our IPO Shares applied for or for any compensation, loss or damage.

- (x) All your particulars in the records of the relevant Participating Financial Institution at the time you make your ESA shall be deemed to be true and correct and we, our Issuing House and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (xi) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (xii) By making and completing an ESA, you agree that:
- (a) in consideration of our Company agreeing to allow and accept the making of any application for our IPO Shares *via* the ESA facility established by the Participating Financial Institutions at their respective ATMs, your ESA is irrevocable;
 - (b) our Company, the Participating Financial Institutions, Bursa Depository and our Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your ESA due to a breakdown or failure of transmission or communication facilities or to any cause beyond our/their control;
 - (c) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase our IPO Shares for which your ESA has been successfully completed shall be constituted by the issue of notices of successful allocation for prescribed securities, in respect of the said IPO Shares;
 - (d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of our IPO Shares allocated to you; and
 - (e) we agree that in relation to any legal action or proceedings arising out of or in relation with the contract between the parties and/or the ESA scheme and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that we irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (xiii) If you are successful in your ESA, our Directors reserve the right to require you to appear in person at the registered office of our Issuing House within 14 days from the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (xiv) Our Issuing House, on the authority of our Directors, reserves the right to reject any application which does not conform to these instructions.

16.4.4 Procedures for application by way of Internet Share Application (for individual Malaysian public only)
(i) Steps for Internet Share Application

The exact steps for Internet Share Application in respect of the Public Issue Shares are as set out on the Internet financial services website of the Internet Participating Financial Institutions.

For illustration purposes only, the steps for an application for the Public Issue Shares via Internet Share Application may be as set out below. The steps set out the actions that the applicant must take at the Internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

- (a) Connect to the Internet financial services website of the Internet Participating Financial Institution with which the applicant has an account.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (b) Login to the Internet financial services facility by entering the applicant's user identification and PIN/password.
- (c) Navigate to the section of the website on applications in respect of initial public offerings.
- (d) Select the counter in respect of the Public Issue Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (f) At the next screen, complete the online application form.
- (g) Check the information contained in the online application form such as the share counter, NRIC number, CDS account number, number of Public Issue Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- (h) By confirming such information, the applicant also undertakes that the following information given is true and correct:-
- the applicant has attained 18 years of age as at the date of the application for the Public Issue Shares;
 - the applicant is a Malaysian citizen residing in Malaysia;
 - the applicant has, prior to making the Internet Share Application, received and/or has had access to a printed/electronic copy of this Prospectus, the contents of which the applicant has read and understood;
 - the applicant agrees to all the terms and conditions of the Internet Share Application as set out in this Prospectus and has carefully considered the risk factors as set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the Public Issue Shares;
 - the Internet Share Application is the only application that the applicant is submitting for the Public Issue Shares;
 - the applicant authorises the Authorised Financial Institution to deduct the full amount payable for the Public Issue Shares from the applicant's account with the Authorised Financial Institution;
 - the applicant gives express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case maybe, of information pertaining to the applicant, the Internet Share Application made by the applicant or the applicant's account with the Internet Participating Financial Institution, to the Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;
 - the applicant is not applying for the Public Issue Shares as a nominee of any other person and the application is made in the applicant's own name, as beneficial owner and subject to the risks referred to in this Prospectus; and

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- the applicant authorises the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company or other relevant parties in connection with Public Issue, all information relating to the applicant if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Applications services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality information relating to the applicant furnished by the applicant to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (i) Upon submission of the online application form, the applicant will be linked to the website of the Authorised Financial Institution to effect the online payment of the application money for the Public Issue.
 - (j) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment of the application money is being made.
 - (k) Subsequent to the above, the Internet Participating Financial Institution shall confirm the Internet Share application has been completed, via the Confirmation Screen on its website.
 - (l) The applicant is advised to print out the Confirmation Screen for their reference and retention.

16.4.5 Terms and Conditions for Internet Share Application

Applications for the Public Issue Shares may be made through the Internet financial services website of the Internet Participating Financial Institutions.

APPLICANTS ARE ADVISED NOT TO APPLY FOR THE PUBLIC ISSUE SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Institutions

Internet Share Applications may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:-

- (i) Affin Bank Berhad at www.affinOnline.com; or
- (ii) RHB Bank Berhad at www.rhb.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- (iii) Malayan Banking Berhad at www.maybank2u.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- (iv) CIMB Investment Bank Berhad at www.eipocimb.com; or
- (v) CIMB Bank Berhad at www.cimbclicks.com.my; or
- (vi) Public Bank Berhad at www.pbebank.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com).

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR THE INTERNET SHARE APPLICATIONS SET OUT HEREIN AND THE STEPS FOR INTERNET SHARE APPLICATION SET OUT HEREIN CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR INTERNET SHARE APPLICATIONS IN RESPECT OF THE PUBLIC ISSUE SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions as set out herein:-

- (i) An applicant making an Internet Share Application shall:-
- be an individual with a CDS account and in the case of joint account, an individual CSD account registered in the applicant's name which is to be used for the purpose of the application if the applicant is making the application instead of the CDS account registered in the joint account holder's name;
 - having an existing account with access to Internet financial services facilities with and Internet Participating Financial Institution. Applicant must have ready their user identification ("User ID") and Personal Identifications Numbers ("PIN")/password for the relevant Internet financial services facilities; and
 - be a Malaysian citizen and have a mailing address in Malaysia.

Applicants are advised to note that a User ID and PIN/password issued by one of the Internet Participating Institutions cannot be used to apply for the Public Issue Shares at Internet financial service websites of other Internet Participating Financial Institutions.

- (ii) An Internet Share Application shall be made on and shall be subject to the terms of this Prospectus and our Company's Memorandum and Articles of Association.
- (iii) The applicant is required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given is true and correct:-
- the applicant has attained 18 years of age as at the date of the application for the Public Issue Shares;
 - the applicant is a Malaysian citizen residing in Malaysia;
 - the applicant has, prior to making the Internet Share Application, received and/or has had access to a printed/electronic copy of this Prospectus, the contents of which the applicant has read and understood;
 - the applicant agrees to all the terms and conditions of the Internet Share Application as set out in this Prospectus and has carefully considered the risk factors as set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the Public Issue Shares;
 - the Internet Share Application is the only application that the applicant is submitting for the Public Issue Shares;
 - the applicant authorises the Authorised Financial Institution to deduct the full amount payable for the Public Issue Shares from the applicant's account with the Authorised Financial Institution;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- the applicant gives express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case maybe, of information pertaining to the applicant, the Internet Share Application made by the applicant or the applicant's account with the Internet Participating Financial Institution, to the Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;
 - the applicant is not applying for the Public Issue Shares as a nominee of any other person and the application is made in the applicant's own name, as beneficial owner and subject to the risks referred to in this Prospectus; and
 - the applicant authorises the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company or other relevant parties in connection with Public Issue, all information relating to the applicant if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Applications services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality information relating to the applicant furnished by the applicant to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (iv) The application will not be successfully completed and cannot be recorded as a completed application unless the applicant has completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.
- For the purposes of this Prospectus "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website which confirms that the Internet Share Application has been completed and states the details of the applicant's Internet Share Application, including the number of Public Issue Shares applied for which can be printed out by the applicant for his records.
- Upon display of the Confirmation Screen, the applicant shall be deemed to have confirmed the truth of the statements set out in Section 16.4.5(c) of this Prospectus.
- (v) The applicant must have sufficient funds in the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the Public Issue Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.
- (vi) The applicant irrevocably agrees and undertakes to subscribe for and to accept the number of Public Issue Shares applied for as stated on the Confirmation Screen or any lesser number of Public Issue Shares that may be allotted to the applicant in respect of the Internet Share Application. In the event our Company decides to allot any lesser number of such Public Issue Shares or not to allot any Public Issue Shares to the applicant, the applicant agrees to accept any such decision of our Company as final.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, the confirmation by the applicant of the number of Public Issue Shares applied for (by way of the applicant's action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and be treated as:-

- acceptance by the applicant of the number of Public Issue Shares that may be allotted or allocated to the applicant in the event the applicant's Internet Share Application is successful or successful in part, as the case may be; and
 - the applicant's agreement to be bound by the Memorandum and Articles of Association of our Company.
- (vii) The applicant is fully aware that multiple of suspected multiple Internet Share Applications for the Public Issue Shares of our Company will be rejected. Our Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the Public Issue Shares to a reasonable number of applicants with a view of establishing a liquid and adequate market for the shares.
- (viii) Where an Internet Share Application is unsuccessful or successful in part only, the Internet Participating Financial Institution will be informed of the unsuccessful or partially successful Internet Share Application. Where an Internet Share Application is unsuccessful, the Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies in Ringgit Malaysia (without interest or any share revenue or other benefit arising therefrom) into the applicant's account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from the Issuing House.

The Issuing House shall inform the Internet Participating Financial Institution of unsuccessful or partially successful applications within two (2) Market Days from the balloting date.

Where the Internet Share Application is accepted in part only, the relevant Internet Participating Financial Institution will credit the balance of the application monies in Ringgit Malaysia (without interest or any share or revenue or other benefit arising therefrom) into the applicant's account with the Internet Participating Financial Institution within two (2) Market Days after receipt of written confirmation from the Issuing House. A number of the applications will however be held in reserve to replace any successfully balloted applications that are subsequently rejected. In respect of such applications that are subsequently rejected, the application monies (without interest or any share of revenue or other benefit arising therefrom) will be refunded to applicants by the Issuing House by crediting into the applicant's account with the Internet Participating Financial Institution within two (2) Market Days after receipt of written confirmation from the Issuing House.

For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institution will credit the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) into the applicant's account within two (2) Market Days after receipt of confirmation from the Issuing House.

Except where the Issuing House is required to refund the application monies, it is the sole responsibility of the Internet Participating Financial Institution to ensure the timely refund of the application monies from unsuccessful or partially successful Internet Share Applications. Therefore, applicants are strongly advised to consult the Internet Participating Financial Institution through which the application was made in respect of the mode or procedure of enquiring on the status of an applicant's Internet Share Application in order to determine the status or exact number of Public Issue Shares allotted, if any, before trading the Public Issue Shares on Bursa Securities.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ix) Internet Share Applications will be closed at 5.00p.m on 4 February 2013 or such other date(s) as our Board, Principal Adviser, Co-Adviser, Joint Global Coordinators and Joint Bookrunners may in their absolute discretion mutually decide. An Internet Share Application is deemed to be received only upon its completion that is when the Confirmation Screen is displayed on the Internet financial services website. Applicants are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.
- (x) The applicant irrevocably agrees and acknowledges that the Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond the control of the Internet Participating Financial Institution, the Authorised Financial Institution and our Company. If, in any such event, our Company, the Issuing House and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive the applicant's Internet Share Application and/or the payment therefor, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is lost, corrupted or destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, the applicant shall be deemed not to have made an Internet Share Application and the applicant shall have no claim whatsoever against our Company, the Issuing House or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to the Public Issue Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.
- (xi) All particulars of the applicant in the records of the relevant Internet Participating Financial Institution at the time of the Internet Share Application shall be deemed to be true and correct, and our Company, the Internet Participating Financial Institutions, the Issuing House and all other persons who, are entitled or allowed under the law to such information or where the applicant expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

The applicant shall ensure that the personal particulars of the applicant as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical, otherwise the applicant's Internet Share Application is liable to be rejected. The notification letter on successful allotment will be sent to the applicant's address last registered with Bursa Depository. It is the responsibility of the applicant to notify the Internet Participating Financial Institution and Bursa Depository of any changes in the applicant's personal particulars that may occur from time to time.

- (xii) By making and completing an Internet Share Application, the applicant is deemed to have agreed that:-
- in consideration of our Company making available the Internet Share Application facility to the applicant, through the Internet Participating Financial Institution acting as agents of our Company, the Internet Share Application is irrevocable;
 - the applicant has irrevocably requested and authorised our Company to register the Public Issue Shares allotted to the applicant for deposit into the applicant's CDS account;
 - neither our Company nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to the Issuing House or Bursa Depository due to any breakdown or failure of transmission, delivery of communication facilities or due to any risk referred to in page (iii) of this Prospectus or to any cause beyond their control;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- the applicant shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of the applicant's Internet Share Application by the Issuing House, us and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution;
 - the acceptance of the offer made by the applicant to subscribe for the Public Issue Shares for which the applicant's Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by or on behalf of our Company and not otherwise, notwithstanding the receipt of any payment by or on behalf of our Company;
 - in making the Internet Share Application, the applicant has relied solely on the information contained in this Prospectus. Our Company, the Joint Underwriters, the Principal Adviser and the Co-Adviser and any other person involved in the Public Issue shall not be liable for any information not contained in this Prospectus which may have been relied on by the applicant in making the Internet Share Application; and
 - the acceptance of an applicant's Internet Share application by our Company and the contract resulting therefrom from the Public Issue shall be governed by and construed in accordance with the laws of Malaysia, and the applicant irrevocably submits to the jurisdiction of the courts of Malaysia.
- (xiii) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:-
- Affin Bank Berhad (www.affinOnline.com) – No fee will be charged for application by their account holders;
 - CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or Malayan Banking Berhad;
 - CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 for applicants with CDS accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS accounts with other ADAs;
 - Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;
 - RHB Bank Berhad (www.rhb.com.my) – RM2.50; and
 - Public Bank Berhad (www.pbebank.com) – RM2.00.

16.5 AUTHORITY OF OUR DIRECTORS AND OUR ISSUING HOUSE

If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of our Issuing House within fourteen (14) days from the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

Applicants will be selected in a manner to be determined by our Directors. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

Our Issuing House, on the authority of our Directors, reserves the right to:

- (i) reject applications which do not conform to the instructions in this Prospectus or are illegible, incomplete or inaccurate;
- (ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without giving any reason; and

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- (iii) bank in all application monies from unsuccessful / partially successful applicants which would subsequently be refunded without interest by registered post.

16.6 OVER/UNDER-SUBSCRIPTION

In the event of an over-subscription, our Issuing House will conduct a ballot in a manner as approved by our Directors to determine acceptance of applications. In determining the manner of balloting, our Directors will consider the desirability of distributing our IPO Shares in a fair and equitable manner to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market in the trading of our Shares.

Pursuant to the Listing Requirements, we are required to have at least 25% of our enlarged issued and paid-up share capital to be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon our Listing and completion of this IPO. We expect to achieve this at the point of our Listing. However, in the event that the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be returned without interest.

In the event of an under-subscription, subject to clawback and reallocation as set out in Section 3.2.3 of this Prospectus, all the Public Issue Shares not applied for under the Retail Offering will be underwritten by our Managing Underwriter and Joint Underwriters.

Where your successfully balloted application made under White Application Form is subsequently rejected, the full amount of your application monies, will be refunded without interest to you within ten (10) Market Days from the date of the final ballot of application list to your address registered with the Bursa Depository.

Where your successfully balloted application under the Electronic Share Application or Internet Share Application is subsequently rejected, the full amount of your application monies will be refunded without interest to you by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution respectively.

16.7 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your application, we will return your application monies without interest in the following manner:

16.7.1 For applications by way of Application Form

- (i) The application monies or the balance of it, as the case may be, will be returned to you via the self-addressed and stamped Official 'A' envelope you provided by ordinary post (for fully unsuccessful applications) or by registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot.
- (ii) If your application was rejected because you did not provide a CDS account number, your application monies will be sent to the address stated in the NRIC or 'Resit Pengenaln Sementara (JPN KP 09)' or any valid temporary identity document issued by the National Registration Department from time to time at your own risk.
- (iii) Our Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded by registered post to your last address maintained with Bursa Depository or as per item (ii) above, as the case may be, at your own risk within ten (10) Market Days from the date of the final ballot.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

16.7.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) Our Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful applications within two (2) Market Days after the balloting date. The application monies or the balance of it will be credited into your account with the Participating Financial Institution without interest within two (2) Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the fifth (5th) Market Day from the balloting date.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by our Issuing House by crediting into your account with the Participating Financial Institution/Internet Participating Financial Institution within two (2) Market Days after the confirmation from our Issuing House. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the relevant Participating Financial Institution/Internet Participating Financial Institution will arrange for a refund of the application money (or part thereof) without interest by crediting into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from our Issuing House.

16.8 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) our Shares allocated to you will be credited into your CDS account. We will not be issuing any share certificates to you.
- (ii) a notice of allotment will be despatched to you at the address last maintained with Bursa Depository where you have an existing CDS account at your own risk prior to our Listing. This is your only acknowledgement of acceptance of your application.

16.9 CDS ACCOUNTS

Pursuant to Section 29 of the Central Depositories Act, all dealings in our Shares, including our IPO Shares, will be by book entries through CDS accounts. No share certificates will be issued but notices of allotment or transfer shall be despatched.

You must have a CDS account when applying for our IPO Shares. 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 IPO Shares.

In the case of an application by way of Application Form, you should state your CDS account number in the space provided on the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account to our Issuing House or our Company.

In the case of an application by way of ESA, you shall furnish your CDS account number to the Participating Financial Institution by way of keying in your CDS account number if the instructions on the ATM screen require you to do so.

Failure to comply with these specific instructions or inaccuracy in the CDS account number, arising from use of invalid, third party or nominee accounts, may result in your application being rejected. If a successful applicant fails to state his/her CDS account number, our Issuing House, on the authority of our Directors, will reject the application. Our Issuing House, on the authority of our Directors, also reserves the right to reject any incomplete and/or inaccurate application. Applications may also be rejected if the applicants' particulars provided in the Application Forms, or in the case of ESA, if the records of the Participating Financial Institutions at the time of making the ESA, differ from those in Bursa Depository's records, such as the identity card number, name and nationality.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.10 ENQUIRIES

You may contact our Issuing House if you have any queries on the White Application Form at 03-7841 8000 or 03-7841 8289. If you have any enquiry with regards to your ESA, you may refer to the relevant Participating Financial Institution.

You may check the status of your application by logging into our Issuing House's website at www.mih.com.my or by calling our Issuing House at 03-7841 8000 or 03-7841 8289 or your ADA at the telephone number as stated in Section 16.11 below between five (5) to ten (10) Market Days (during office hours only) after the balloting date.

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16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**16.11 LIST OF ADAS**

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
KUALA LUMPUR			
A.A. ANTHONY SECURITIES SDN BHD N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No : 03-62011155	078-004	HONG LEONG INVESTMENT BANK BERHAD Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03-21648228	066-001
AFFIN INVESTMENT BANK BERHAD Ground Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21438668	028-001	HWANGDBS INVESTMENT BANK BERHAD 2 nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No : 03-77106688	068-009
AFFIN INVESTMENT BANK BERHAD 38A & 40A Jalan Midah 1 Taman Midah 56000 Cheras Kuala Lumpur Tel No : 03-91308803	028-005	HWANGDBS INVESTMENT BANK BERHAD 7th, 22 nd , 23 rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-27116888	068-014
ALLIANCE INVESTMENT BANK BERHAD Level 17, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03- 26976333	076-001	HWANGDBS INVESTMENT BANK BERHAD No. 57-10 Level 10 The Boulevard, Mid Valley City Lingkaran Syed Putra 59000 Kuala Lumpur Tel No : 03-22872273	068-017
AMINVESTMENT BANK BERHAD 15 th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20782788	086-001	INTER-PACIFIC SECURITIES SDN BHD West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03-21171888	054-001
BIMB SECURITIES SDN BHD 32 nd Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No. :26918887	024-001	INTER-PACIFIC SECURITIES SDN BHD Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No : 03-79847796	054-003
CIMB INVESTMENT BANK BERHAD 9 th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Tel No : 03-20849999	065-001	INTER-PACIFIC SECURITIES SDN BHD Stesyen Minyak SHELL Jalan I/II6B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Tel No : 03-79818811	054-005

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
JUPITER SECURITIES SDN BHD 7 th -9 th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20341888	055-001	MERCURY SECURITIES SDN BHD L-7-2, No. 2 Jalan Solaris Solaris Mont Kiara 50480 Kuala Lumpur Tel No : 03-62037227	093-002
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD 11 th -14 th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21688800	053-001	MIDF AMANAH INVESTMENT BANK BERHAD 11 th & 12 th Floor, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-21738888	026-001
KENANGA INVESTMENT BANK BERHAD 8 th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-21649080	073-001	HONG LEONG INVESTMENT BANK BERHAD (formerly known as MIMB Investment Bank Berhad) Level 18, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No : 03-26928899	066-006
KENANGA INVESTMENT BANK BERHAD Ground, Mezzanine, 1 st and 2 nd Floors (West and Center Wing) and 1 st Floor East Wing Bangunan ECM Libra 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03-20891888	073-021	OSK INVESTMENT BANK BERHAD 20 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No : 03-23338333	056-001
KENANGA INVESTMENT BANK BERHAD 1 st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-21781133	073-029	OSK INVESTMENT BANK BERHAD No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03-62575869	056-028
M & A SECURITIES SDN BHD Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No : 03-22821820	057-002	OSK INVESTMENT BANK BERHAD Ground Floor No. M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03-42804798	056-054
MAYBANK INVESTMENT BANK BERHAD 5-13 Floor, MaybanLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No : 03-22978888	098-001	OSK INVESTMENT BANK BERHAD Ground, 1 st , 2 nd & 3 rd Floor, No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-90587222	056-058

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
PM SECURITIES SDN BHD Ground, Mezzanine, 1 st & 10 th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03-21463000	064-001	RHB INVESTMENT BANK BERHAD Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-92873888	087-001
PUBLIC INVESTMENT BANK BERHAD 27 th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-20313011	051-001	TA SECURITIES HOLDINGS BERHAD Floor 13, 15-18, 20, 23, 28-30, 34 & 35 Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-20721277	058-003
SELANGOR DARUL EHSAN			
AFFIN INVESTMENT BANK BERHAD 2 nd , 3 rd & 4 th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-33439999	028-002	CIMB INVESTMENT BANK BERHAD Level G & Level 1 Tropicana City Office Tower 3, Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77173388	065-009
AFFIN INVESTMENT BANK BERHAD Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiarra Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77298016	028-003	HONG LEONG INVESTMENT BANK BERHAD Level 10 I First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77246888	066-002
AFFIN INVESTMENT BANK BERHAD 1 st Floor, 20-22 Jalan 21/22, SEA Park 46300 Petaling Jaya Selangor Darul Ehsan Tel No: 03-78776229	028-006	HWANGDBS INVESTMENT BANK BERHAD 16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No : 03-55133288	068-002
AFFIN INVESTMENT BANK BERHAD No. 79-1 & 79-C Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No: 03-33221999	028-007	HWANGDBS INVESTMENT BANK BERHAD East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56356688	068-010
AMINVESTMENT BANK BERHAD 4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77106613	086-003	JF APEX SECURITIES BERHAD 6 th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03-87361118	079-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
JF APEX SECURITIES BERHAD 15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03-76201118	079-002	KENANGA INVESTMENT BANK BERHAD 35 (Ground, 1 st and 2 nd Floor) Jalan Tiara 3, Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33488080	073-035
KENANGA INVESTMENT BANK BERHAD Ground – Fifth Floor East Wing, Quattro West No. 4, Lorong Persiaran Barat 46200 Petaling Jaya Selangor Darul Ehsan Tel No: 03-78626200	073-005	MALACCA SECURITIES SDN BHD Subang Jaya Branch No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56361533	012-002
KENANGA INVESTMENT BANK BERHAD 1 st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Tel No : 03-80241682	073-006	MALACCA SECURITIES SDN BHD SS2 Petaling Jaya Branch No. 58A & 60A Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78761533	012-003
KENANGA INVESTMENT BANK BERHAD Room 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No : 03-30057550	073-007	OSK INVESTMENT BANK BERHAD 24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78736366	056-011
KENANGA INVESTMENT BANK BERHAD Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77259095	073-016	OSK INVESTMENT BANK BERHAD No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03-87363378	056-045
KENANGA INVESTMENT BANK BERHAD Level I East Wing, Wisma Consplant 2 No.7, Jalan SS16/1, 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56212118	073-030	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No : 03-60928916	056-047

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-33439180	056-048	PM SECURITIES SDN BHD No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33415300	064-007
OSK INVESTMENT BANK BERHAD 3 rd Floor, 1A-D Jalan USJ 10/1A Pusat Perniagaan USJ 10 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80236518	056-063	SJ SECURITIES SDN BHD Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40200 Shah Alam Selangor Darul Ehsan Tel No : 03-51920202	096-001
OSK INVESTMENT BANK BERHAD 11-1, Jalan PJU 5/12 Dataran Sunway Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan Tel No : 03-6148 3361	056-065	TA SECURITIES HOLDINGS BERHAD No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80251880	058-005
OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 13 Jalan Kenari 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-80706899	056-066	TA SECURITIES HOLDINGS BERHAD Damansara Utama Branch 2 nd Floor Wisma TA 1A, Jalan SS20/1 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77295713	058-007
PM SECURITIES SDN BHD No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-80700773	064-003		
MELAKA			
CIMB INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : 06-2898800	065-006	KENANGA INVESTMENT BANK BERHAD 22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No : 06-3372550	073-034
KENANGA INVESTMENT BANK BERHAD 71 (Ground, A & B) & 73 (Ground, A & B), Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2881720	073-028	MALACCA SECURITIES SDN BHD No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Tel No : 06-3371533	012-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
MERCURY SECURITIES SDN BHD No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2921898	093-003	PM SECURITIES SDN BHD No. 11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka Tel No : 06-2866008	064-006
OSK INVESTMENT BANK BERHAD 579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No : 06-2825211	056-003	RHB INVESTMENT BANK BERHAD No.19, 21 &23 Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2833622	087-002
PERAK DARUL RIDZUAN			
A.A. ANTHONY SECURITIES SDN BHD 29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6216010	078-009	KENANGA INVESTMENT BANK BERHAD No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6222828	073-026
CIMB INVESTMENT BANK BERHAD Ground, No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2082688	065-010	KENANGA INVESTMENT BANK BERHAD Ground Floor No. 25 & 25A Jalan Jaya2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6939828	073-031
HWANGDBS INVESTMENT BANK BERHAD Ground, Level 1, 2 & 3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No : 05-8066688	068-003	M & A SECURITIES SDN BHD M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-2419800	057-001
HWANGDBS INVESTMENT BANK BERHAD Ground & 1st Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2559988	068-015	MAYBANK INVESTMENT BANK BERHAD B-G-04 (Ground Floor), Level 1 & 2 42 Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2453400	098-002
KENANGA INVESTMENT BANK BERHAD No. 63 Ground, 1 st 2 nd and 4 th Floor Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2422828	073-022	OSK INVESTMENT BANK BERHAD 21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2415100	056-002

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6236498	056-014	OSK INVESTMENT BANK BERHAD Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No : 05-7170888	056-052
OSK INVESTMENT BANK BERHAD 1st Floor, No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6921228	056-016	HONG LEONG INVESTMENT BANK BERHAD 51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2530888	066-003
OSK INVESTMENT BANK BERHAD Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05-8088229	056-034	TA SECURITIES HOLDINGS BERHAD Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No : 05-2531313	058-001
OSK INVESTMENT BANK BERHAD 72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05-4651261	056-044		
PULAU PINANG			
A.A. ANTHONY SECURITIES SDN BHD 1 st , 2 nd & 3 rd Floor, Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No : 04-2299318	078-002	AMINVESTMENT BANK BERHAD Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2261818	086-004
A.A. ANTHONY SECURITIES SDN BHD No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5541388	078-003	AMINVESTMENT BANK BERHAD Level 3 No.15, Lebuhr Pantai 10300 Pulau Pinang Tel No: 04-2618688	087-007
ALLIANCE INVESTMENT BANK BERHAD Suite 2.1 & Suite 2.4, Level 2 Wisma Great Eastern No. 25, Leboh Light 10200 Pulau Pinang Tel No: 04-2611688	076-015	CIMB INVESTMENT BANK BERHAD Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2385900	065-003

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
HWANGDBS INVESTMENT BANK BERHAD Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04-2636996	068-001	MERCURY SECURITIES SDN BHD 2 nd Floor, Standard Chartered Bank Chambers 2 Lebu Pantai 10300 Pulau Pinang Tel No : 04-2639118	093-004
HWANGDBS INVESTMENT BANK BERHAD No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5372882	068-006	M&A SECURITIES SDN BHD 332H-I & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Tel No : 04-2817611	057-005
INTER-PACIFIC SECURITIES SDN BHD Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Tel No : 04-2690888	054-002	OSK INVESTMENT BANK BERHAD 64 & 64-D Tingkat Bawah – Tingkat 3 & Tingkat 5 – Tingkat 8 Lebu Bishop 10200 Pulau Pinang Tel No : 04-2634222	056-004
KENANGA INVESTMENT BANK BERHAD Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2106666	073-013	OSK INVESTMENT BANK BERHAD Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai Pulau Pinang Tel No : 04-3900022	056-005
KENANGA INVESTMENT BANK BERHAD 7 th , 8 th and 16 th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2283355	073-023	OSK INVESTMENT BANK BERHAD Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5402888	056-015
MALACCA SECURITIES SDN BHD Tanjung Tokong Penang Branch Prima Tanjung Suite 98-3-13A Jalan Fettes 11200 Tanjung Tokong Pulau Pinang Tel No : 04-8981525	012-004	OSK INVESTMENT BANK BERHAD 834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No : 04-5831888	056-032
MERCURY SECURITIES SDN BHD Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Tel No : 04-3322123	093-001	OSK INVESTMENT BANK BERHAD Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No : 04-6404888	056-042

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD 41-A, 41-B and 41-C Lintang Angsana Bandar Baru Air Itam 11500 Pulau Pinang Tel No : 04-8352988	056-064	PM SECURITIES SDN BHD Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2273000	064-004
PERLIS INDRA KAYANGAN			
ALLIANCE INVESTMENT BANK BERHAD 2 nd Floor, Podium Block KWSP Building 01000 Kangar Perlis Indra Kayangan Tel No : 04-9765200	076-003	OSK INVESTMENT BANK BERHAD Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No : 04-9793888	056-061
KEDAH DARUL AMAN			
A.A. ANTHONY SECURITIES SDN BHD Lot 4, 5 & 5A Tingkat 1EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman No Tel : 04-7322111	078-007	OSK INVESTMENT BANK BERHAD No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4204888	056-017
ALLIANCE INVESTMENT BANK BERHAD 2 nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-7317088	076-004	OSK INVESTMENT BANK BERHAD 35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No : 04-4964888	056-019
HWANGDBS INVESTMENT BANK BERHAD No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4256666	068-011	OSK INVESTMENT BANK BERHAD Ground & 1st Floor 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7209888	056-021
NEGERI SEMBILAN DARUL KHUSUS			
HWANGDBS INVESTMENT BANK BERHAD Ground & 1 st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7612288	068-007	HWANGDBS INVESTMENT BANK BERHAD No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553188	068-013

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
KENANGA INVESTMENT BANK BERHAD 1C & 1D, Ground & 1 st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Tel No : 06-7655998	073-033	OSK INVESTMENT BANK BERHAD 1 st & 2 nd Floor No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553014	056-040
OSK INVESTMENT BANK BERHAD Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7641641	056-024	OSK INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06-6461234	056-046
OSK INVESTMENT BANK BERHAD 1 st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No : 06-4421000	056-037	PM SECURITIES SDN BHD 1 st , 2 nd & 3 rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7623131	064-002
JOHOR DARUL TAKZIM			
A.A. ANTHONY SECURITIES SDN BHD Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3332000	078-001	ALLIANCE INVESTMENT BANK BERHAD No. 73, Ground Floor & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No : 07-7717922	076-006
A.A. ANTHONY SECURITIES SDN BHD 42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No : 07-6637398	078-005	AMINVESTMENT BANK BERHAD 2 nd & 3 rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4342282	086-002
A.A. ANTHONY SECURITIES SDN BHD No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3513218	078-006	AMINVESTMENT BANK BERHAD 18 th & 31 st Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3343855	086-006
A.A. ANTHONY SECURITIES SDN BHD No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No : 07-5121633	078-008	HWANGDBS INVESTMENT BANK BERHAD Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2222692	068-004

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
INTER-PACIFIC SECURITIES SDN BHD 95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2231211	054-004	KENANGA INVESTMENT BANK BERHAD No. 24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4326963	073-017
KENANGA INVESTMENT BANK BERHAD Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3333600	073-004	KENANGA INVESTMENT BANK BERHAD No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9532222	073-024
KENANGA INVESTMENT BANK BERHAD No. 31 Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No : 06-9542711	073-008	KENANGA INVESTMENT BANK BERHAD Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No : 07-4678885	073-025
KENANGA INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-9333515	073-009	M&A SECURITIES SDN BHD Suite 5.3A, Level 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3381233	057-003
KENANGA INVESTMENT BANK BERHAD No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07-7771161	073-010	M&A SECURITIES SDN BHD 26, Jalan Indah 16/5 Taman Bukit Indah 81200 Johor Bahru Johor Darul Takzim Tel No : 07 2366288	057-006
KENANGA INVESTMENT BANK BERHAD No. 4, Jalan Dataran I Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06-9782292	073-011	MERCURY SECURITIES SDN BHD Suite 17.1, Level 17, Menara Pelangi No. 1, Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3316992	093-005

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
HONG LEONG INVESTMENT BANK BERHAD (formerly known as MIMB Investment Bank Berhad) Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2227388	066-005	OSK INVESTMENT BANK BERHAD Ground, 1st & 2nd Floor No. 17 Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No : 07-7769655	056-031
HONG LEONG INVESTMENT BANK BERHAD (formerly known as MIMB Investment Bank Berhad) 1 st Floor, No. 9 Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4313688	066-044	OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07-6626288	056-035
OSK INVESTMENT BANK BERHAD 6 th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07-2788821	056-006	OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No : 06-9787180	056-038
OSK INVESTMENT BANK BERHAD 53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4380288	056-009	OSK INVESTMENT BANK BERHAD 1 st Floor, No. 2 & 4, Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No : 07-9256881	056-039
OSK INVESTMENT BANK BERHAD No. 33-1, 1 st & 2 nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9538262	056-025	OSK INVESTMENT BANK BERHAD Ground, 1 st Floor & 2 nd Floor No. 21 & 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3522293	056-043
OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No : 07-5577628	056-029	PM SECURITIES SDN BHD No. 41, Jalan Molek 2/4 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3513232	064-005
OSK INVESTMENT BANK BERHAD Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No : 07-9321543	056-030	PM SECURITIES SDN BHD Ground & 1 st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4333608	064-008

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
PAHANG DARUL MAKMUR			
ALLIANCE INVESTMENT BANK BERHAD A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09-5660800	076-002	OSK INVESTMENT BANK BERHAD B2 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No : 09-5173811	056-007
CIMB INVESTMENT BANK BERHAD Ground, 1 st & 2 nd No. A-27 (Aras G, 1 & 2) Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No : 09-5057800	065-007	OSK INVESTMENT BANK BERHAD Ground Floor, 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No : 09-2234943	056-022
KENANGA INVESTMENT BANK BERHAD A15, A17 & A19, Ground Floor Lorong Tun Ismail 2 Sri Dagangan 2 25000 Pahang Darul Makmur Tel No : 09-5171698	073-027	OSK INVESTMENT BANK BERHAD Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 05-4914913	056-041
KELANTAN DARUL NAIM			
OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No : 09-7430077	056-020	TA SECURITIES HOLDINGS BERHAD 298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-7432288	058-004
TERENGGANU DARUL IMAN			
ALLIANCE INVESTMENT BANK BERHAD No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6317922	076-009	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No : 09-8502730	056-027
FA SECURITIES SDN BHD No. 5I & 5IA Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6238128	021-001	OSK INVESTMENT BANK BERHAD 31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6261816	056-055

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
SARAWAK			
AMINVESTMENT BANK BERHAD No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Tel No : 082-244791	086-005	KENANGA INVESTMENT BANK BERHAD Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No : 082-338000	073-003
CIMB INVESTMENT BANK BERHAD Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No : 082-358606	065-004	KENANGA INVESTMENT BANK BERHAD No. 11-12 (Ground & 1 st Floor) Lorong Kampung Datu 3 96000 Sibul Sarawak Tel No : 084-313855	073-012
CIMB INVESTMENT BANK BERHAD No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibul Sarawak Tel No : 084-367700	065-008	OSK INVESTMENT BANK BERHAD Lot 170 & 171 Section 49, K.T.L.D Jalan Chan Chin Ann 93100 Kuching Sarawak Tel No : 082-422252	056-008
HWANGDBS INVESTMENT BANK BERHAD Ground Floor & 1 st Floor No. 1, Jalan Pending 1 st Floor, No. 3 Jalan Pending 93450 Kuching Sarawak Tel No : 082-341999	068-005	OSK INVESTMENT BANK BERHAD Lot 1268, 1 st & 2 nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No : 085-422788	056-012
HWANGDBS INVESTMENT BANK BERHAD No. 282, 1 st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-330008	068-016	OSK INVESTMENT BANK BERHAD 101 & 102, Pusat Pedada Jalan Pedada 96000 Sibul Sarawak Tel No : 084-329100	056-013
KENANGA INVESTMENT BANK BERHAD Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No : 085-435577	073-002	OSK INVESTMENT BANK BERHAD Ground Floor & 1 st Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No : 084-654100	056-050

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD Ground Floor & 1 st Floor No. 221, Parkcity Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-311770	056-053	TA SECURITIES HOLDINGS BERHAD 12G, H & I Jalan Kampong Datu 96000 Sibul Sarawak Tel No : 084-319998	058-002
RHB INVESTMENT BANK BERHAD Yung Kong Abell Units No. 1-10, 2 nd Floor Lot 365, Section 50, Jalan Abell 93100 Kuching Sarawak Tel No : 082-250888	087-003	TA SECURITIES HOLDINGS BERHAD 2 nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No : 082-236333	058-006
SABAH			
CIMB INVESTMENT BANK BERHAD 1 st & 2 nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No : 088-328878	065-005	OSK INVESTMENT BANK BERHAD 5 th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Tel No : 088-269788	056-010
HWANGDBS INVESTMENT BANK BERHAD Suite 1-9-E1, 9 th Floor, CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No : 088-311688	068-008	OSK INVESTMENT BANK BERHAD Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Tel No : 089-229286	056-057
INNOSABAH SECURITIES BERHAD 11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No : 088-234090	020-001	OSK INVESTMENT BANK BERHAD Lot 14-0, Ground Floor Lorong Lintas Plaza 2 Lintas Plaza, Off Jalan Lintas 88300 Kota Kinabalu Sabah Tel No : 088-258618	056-067
KENANGA INVESTMENT BANK BERHAD Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-236188	073-032		

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ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME

**BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME OF
TUNE INS HOLDINGS BERHAD**

1. DEFINITIONS

1.1 In these Bylaws, except where the context otherwise requires, the following expressions shall have the following meanings:

“Act”	:	The Companies Act, 1965 as amended from time to time and any re-enactment thereof
“Board”	:	The Board of Directors of the Company
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Bylaws”	:	These Bylaws of the Scheme, as amended from time to time
“Date of Acceptance”	:	The date on which the ESOS Committee shall receive the written notice accepting an Offer from an Eligible Person
“Date of Offer”	:	The date inscribed on a particular Offer document on which an Offer is deemed to have been made by the ESOS Committee to an Eligible Person
“Director(s)”	:	A person who holds a directorship in a company in the TIH Group whether in an executive or non-executive capacity
“Disciplinary Proceedings”	:	Proceedings instituted by any company in the TIH Group against any Grantee or Eligible Person for any alleged misbehaviour, misconduct and/or any other acts of such Grantee or Eligible Person deemed to be unacceptable by the said company whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee or Eligible Person
“Eligible Person”	:	An Employee who is employed by and on the payroll of any company in the TIH Group, save for companies which are dormant, and/or a Director who fulfils the conditions of eligibility stipulated in Bylaw 4
“Employee”	:	Any person in the employment of the Group including person employed by the Group on a contract basis
“ESOS” or “Scheme”	:	Employees’ share option scheme for the grant of Options to Eligible Persons upon the terms as set out in these Bylaws
“ESOS Committee”	:	The Board or a committee appointed by the Board pursuant to Bylaw 2 to administer the Scheme
“Executive Director(s)”	:	A person who holds a directorship in a company in the TIH Group in an executive capacity

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

“Exercise Condition”	:	A condition or conditions attaching to an Option in accordance with Bylaw 10.3
“Grantee”	:	An Eligible Person to whom an Offer has been made and who has accepted an Offer (or any part thereof) in accordance with the terms of the Scheme
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities as amended from time to time
“M&A”	:	Memorandum and Articles of Association of the Company, as amended from time to time
“Market Day”	:	A day on which Bursa Securities is open for trading of securities
“Offer”	:	An offer to take up options to subscribe for Shares made in writing by the ESOS Committee to any Eligible Person in the manner provided in Bylaw 6
“Offer Period”	:	In respect of an Offer, the period during which such Offer remains valid as set out in Bylaw 6.4.
“Option Period”	:	In respect of an Option, the period during which such Option remains valid commencing from the Date of Acceptance of an Offer or any part thereof as set out in Bylaw 7 and until expiry of the Scheme as set out in Bylaw 21, subject always to any early termination in accordance with these Bylaws
“Option(s)”	:	The right of the Grantee to subscribe for such new TIH Shares pursuant to the contract constituted by acceptance in the manner set out in Bylaw 7
“TIH” or “Company”	:	Tune Ins Holdings Berhad
“TIH Group” or “Group”	:	TIH and its subsidiaries which are not dormant companies
“TIH Share(s)” or “Share(s)”	:	Means ordinary shares of RM0.10 each in the capital of the Company (unless otherwise adjusted)
“Principal Adviser”	:	A person as described in paragraph 1.01 of the Listing Requirements
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Scheme Shares”	:	Shares issued pursuant to the Scheme
“Subscription Price”	:	The price at which a Grantee shall be entitled to subscribe for each new TIH Share as determined in accordance with Bylaw 9

- 1.2 Any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and the Listing Requirements, policies and / or guidelines of Bursa Securities (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with reasonable commercial practice of persons to whom such requirements, policies, regulations and / or guidelines are addressed by Bursa Securities);
- 1.3 Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted within the duration of the Scheme, and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

- 1.4 In these Bylaws, unless the context requires otherwise, words denoting the singular number shall include the plural number and words denoting one gender shall include the other gender.
- 1.5 The headings in these Bylaws are for convenience only and shall not be taken into account in the interpretation of these Bylaws.
- 1.6 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day.
- 1.7 This Scheme shall be known as the “TIH Employees Share Option Scheme”.

1A. RATIONALE AND OBJECTIVES OF THE SCHEME

- 1A.1 The implementation of the Scheme primarily serves to align the interests of the Eligible Persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:
- (i) to recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of the TIH Group;
 - (ii) to motivate the Eligible Persons towards improved performance through greater productivity and loyalty;
 - (iii) to inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company;
 - (iv) to retain the Eligible Persons, hence ensuring that the loss of key personnel is kept to a minimum level; and
 - (v) to reward the Eligible Persons by allowing them to participate in the profitability of the Group and eventually realise any capital gains arising from appreciation in the value of the Company’s shares.
- 1A.2 The Scheme is also extended to the non-executive Directors(s) of the Group, eligible for participation in the Scheme as set out in the By-Laws, as they discharge important functions and their services and contributions are valued by the Group.

2. ADMINISTRATION

- 2.1 The Scheme shall be administered by the ESOS Committee consisting of such number of person(s) as shall be appointed by the Board from time to time. The Board shall have the power to determine all matters pertaining to the ESOS Committee, including, without limitation, setting the terms of reference for the ESOS Committee, determining its composition, duties, powers and limitations. The Board is also entitled at any time and from time to time to rescind the appointment of any member of the ESOS Committee and appoint replacement members to the ESOS Committee, to change the terms of appointment of the members of the ESOS Committee and to determine and change the terms of reference for the ESOS Committee.
- 2.2 The ESOS Committee shall administer the Scheme in such manner as it shall in its discretion deem fit and with such powers and duties as are conferred upon it, subject only to these Bylaws as may be amended from time to time. The ESOS Committee may meet together for the despatch of business, to adjourn or otherwise regulate its meetings as it thinks fit.

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

3.1 At any point of time during the existence of the Scheme and subject to Bylaw 3.2, the aggregate number of Scheme Shares comprised in:

- (a) Options exercised by all the Grantees;
- (b) Options remaining exercisable by all the Grantees; and
- (c) unexpired Offers pending acceptance by all the Eligible Persons;

(hereinafter referred to as “the Aggregate”) shall not exceed an amount equivalent to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time.

3.2 Notwithstanding the provision of Bylaw 3.1 and any other provision herein contained, in the event the Aggregate exceeds the aforesaid ten percent (10%) (excluding treasury shares) as a result of the Company purchasing its own Shares in accordance with the provisions of Section 67A of the Act or undertaking any other corporate proposal and reducing its issued and paid-up ordinary share capital, then all Offers and Options granted prior to the reduction of the issued and paid-up ordinary share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme as if that reduction had not occurred. However, in such a situation, the ESOS Committee shall not make any further Offers unless the total number of Scheme Shares falls below ten per cent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company.

3.3 The Company shall keep available sufficient unissued Shares in the authorised share capital of the Company to satisfy all outstanding Offers and Options throughout the duration of the Scheme.

4. ELIGIBILITY

4.1 Subject to the discretion of the ESOS Committee, any Employee or any Director of the Group shall be eligible to participate in the Scheme if, as at the Date of Offer, the Employee or Director:

- (a) is a natural person and has attained the age of eighteen (18) years;
- (b) in the case of an Employee (including Executive Directors), is employed by and on the payroll of the Group and whose employment has been confirmed in writing;
- (c) in the case of a non-executive Director, is duly elected as a member of the board of directors of the companies within the Group and is entitled to Director’s fee;
- (d) is not a participant of any other employees’ share option scheme implemented by any other company within the Group which is in force for the time being. A Director or Employee who has participated in the employees’ share option scheme currently in operation of one company and who moves to another company within the Group is not allowed to participate in the employees’ share option scheme currently in operation of such other company;
- (e) falls within any other eligibility criteria that may be set by the ESOS Committee at any time and from time to time at its absolute discretion.

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

- 4.2 In addition to the foregoing, the specific allotment to be made to any person, who is a director, major shareholder or chief executive of TIH or a holding company of TIH or person connected with such director, major shareholder or chief executive (as defined in the Listing Requirements), shall also be approved by the shareholders of the Company in general meeting and is not prohibited or disallowed by the relevant authorities or law from participating in the Scheme.
- 4.3 No Director and senior management shall participate in the deliberation or discussion of their own allocation.
- 4.4 An Eligible Person who is being subjected to Disciplinary Proceedings as at the Date of Offer, may be made a conditional Offer upon such terms and conditions as the ESOS Committee shall deem appropriate in its discretion and subject to the provisions of Bylaw 10.9.
- 4.5 Eligibility under the Scheme does not confer on an Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with Options or the Shares comprised therein unless an Offer has been made by the ESOS Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the Scheme.
- 4.6 No Employee of a dormant company within the Group shall be eligible to participate in the ESOS.
- 4.7 Verification of allocation of Scheme Shares to Eligible Persons shall be carried out by the audit committee of the Company at the end of each financial year and a statement to the effect that the audit committee has conducted such verification will be disclosed in the annual report of the Company.

5. BASIS OF ALLOTMENT

- 5.1 Subject to any adjustment which may be made under Bylaw 14, the ESOS Committee shall be entitled in its discretion to determine the number of Shares to be comprised in an Offer made to an Eligible Person under the Scheme.
- 5.2 The actual entitlement of an Eligible Person shall be at the absolute discretion of the ESOS Committee, after taking into account such criteria as may be determined by the ESOS Committee in its sole discretion (subject always to the Bylaws and any applicable law). The allocation to a Director or Employee who, either singly or collectively, through persons connected to him (as defined in paragraph 1.01 of the Listing Requirements), holds 20% or more of the issued and paid-up share capital (excluding treasury shares) of the Company, shall not exceed 10% of the total number of shares to be issued under the ESOS.
- 5.3 An Eligible Person who is promoted during the tenure of the Scheme may be eligible for consideration of an additional offer of Shares for the category to which he has been promoted subject to the availability of Options. The decision in this regard shall be made by the ESOS Committee in its absolute discretion.
- 5.4 An Eligible Person who is demoted during the tenure of the Scheme may be eligible for consideration of an offer of Shares for the category to which he belonged prior to his demotion. The decision in this regard shall be made by the ESOS Committee in its absolute discretion.
- 5.5 A Director and/or Employee who during the tenure of the Scheme becomes an Eligible Person may be eligible for Shares (to be decided by the ESOS Committee in its absolute discretion) for the category to which he has been admitted.

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

- 5.6 The determination of eligibility and allocation are performed by the ESOS Committee at the point of granting of the Options, after taking into consideration the above factors and amongst others, the length of service, seniority and individual performance in the TIH Group. Thereafter, the Grantees are free to exercise the Options without further performance targets being achieved, subject to the terms and conditions of this ESOS Bylaws.
- 6. OFFER**
- 6.1 The ESOS Committee may at its discretion at any time and from time to time as it shall deem fit during the duration of the Scheme make one or more Offers to any Eligible Person whom the ESOS Committee in its absolute discretion select, PROVIDED THAT such exercise of the Option shall not be less than one hundred (100) Shares and shall be in multiples of one hundred (100) Shares or shall be in multiples of Shares equivalent to the board lot of Bursa Securities applicable thereat.
- 6.2 Subject always to Bylaw 3.1, the ESOS Committee may make one or more Offers to each Eligible Person during the Option Period provided always that the total aggregate number of Shares to be so offered to each Eligible Person shall not exceed the maximum entitlement of that Eligible Person under Bylaw 5.2.
- 6.3 An Offer may be made upon such terms and conditions as the ESOS Committee may decide from time to time. An Offer or any part thereof shall automatically lapse and be null and void in the event the Eligible Person prior to the acceptance of such Offer:-
- (a) ceases to be employed by the Group, or
 - (b) dies or becomes a bankrupt.
- 6.4 An Offer shall be valid for a period of thirty (30) days from the Date of Offer or such longer period as may be determined by the ESOS Committee at its sole and absolute discretion (“Offer Period”).
- 6.5 The ESOS Committee shall state the following particulars in the Offer:
- (a) the criteria for the allocation of Options;
 - (b) the number of Shares under the Options that are being offered to the Eligible Person;
 - (c) the Option Period;
 - (d) the Subscription Price;
 - (e) the Offer Period; and
 - (f) any other information deemed necessary by the ESOS Committee.
- 6.6 In the event of an error on the part of the Company in stating any of the particulars referred to in 6.5 above, the following provisions shall apply:
- (a) Within one (1) month after discovery of the error, the Company shall issue a supplementary offer, stating the correct particulars referred to in 6.5 above;
 - (b) In the event that the error relates to particulars other than the Subscription Price, the Subscription Price applicable in the supplemental offer shall remain as the Subscription Price as per the original Offer; and

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

- (c) In the event that the error relates to the Subscription Price, the Subscription Price stated in the supplemental offer shall be the Subscription Price applicable and the supplemental offer shall take effect as if it were issued on the date of the original Offer, save and except with respect to any Option which has already been exercised as at the date of issue of the supplemental offer.
- 6.7 When an Offer is made pursuant to these Bylaws, the ESOS Committee shall ensure that the Company makes an announcement of the following to the Bursa Securities on the date of the Offer:-
- (a) the date of Offer;
 - (b) the Subscription Price of Options offered, if any;
 - (c) the number of Options or Shares offered;
 - (d) the market price of its Shares on the date of the Offer;
 - (e) the number of Options or Shares to each Director (if any); and
 - (f) the vesting period of the Options or Shares offered (if any).
- 7. ACCEPTANCE OF OFFER**
- 7.1 Unless otherwise specified in an Offer, an Offer must be accepted by the Eligible Person by way of a written notice of acceptance and in such manner and time as prescribed by the ESOS Committee, and accompanied by a payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the Option. The date of receipt by the ESOS Committee of such written notice shall constitute the Date of Acceptance.
- 7.2 The ESOS Committee shall within thirty (30) calendar days of the Date of Acceptance issue to the Grantee an option certificate in such form as may be determined by the ESOS Committee.
- 7.3 If the Offer is not accepted in the manner aforesaid, such Offer shall upon the expiry of the Offer Period automatically lapse and be null and void and of no further effect. The Shares comprised in those Options not taken up as a result of non-acceptance of Offers at the expiry of the Offer Period shall form part of the balance of the Scheme Shares available to be offered to other Eligible Persons or for future Offers.
- 7.4 The Company shall keep and maintain at its own expense a register of Grantees and shall enter therein the following information in respect of each Grantee:
- (a) name;
 - (b) address;
 - (c) maximum entitlement of Shares under each Options granted;
 - (d) number of Options granted;
 - (e) number of Options exercised;
 - (f) the Date of Offer for each Option; and
 - (g) the Subscription Price for each Option.

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)**8. NON-TRANSFERABILITY OF THE OPTION**

An Option is personal to the Grantee and is exercisable only by the Grantee personally during his/her lifetime whilst he/she is in the employment of any company in the Group. An Option shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee save and except in the event of the death of the Grantee as provided under Bylaw 18.4. Any such transfer, assignment, disposal or encumbrance shall result in the automatic cancellation of the Option rendering the Option void.

9. SUBSCRIPTION PRICE

9.1 The listing of the Company on the Main Market of Bursa Securities, the price at which the Grantee is entitled to subscribe for new Shares upon the exercise of any Option shall be the higher of:

- (a) the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer, subject to a discount of not more than ten percent (10%) which the ESOS Committee may at its discretion decide to give; or
- (b) the par value of the Shares; or
- (c) such other price as may be determined by any change in law and/or regulations affecting the same whereupon the provisions in this Clause 8.1 shall be accordingly revised and amended but only in so far as such changes are mandatory and not voluntary.

9.2 The Subscription Price shall be stipulated in each Option Certificate.

10. EXERCISE OF OPTION

10.1 The Option granted to a Grantee under the Scheme is exercisable only by that Grantee during his employment with the Group or during his tenure as Director of the Group and within the Option Period subject to Bylaw 18 below.

10.2 An Option shall be valid only from the Date of Acceptance until the earliest of any of the following events:

- (a) the expiry of the duration of the Scheme pursuant to Bylaw 21;
- (b) any of the termination event stipulated in Bylaw 18; or
- (c) upon liquidation of the Company.

10.3 The ESOS Committee may impose any condition or conditions on any Option which they grant preventing its exercise unless such condition has been complied with. If after the ESOS Committee has imposed an Exercise Condition, an event occur which cause the ESOS Committee to consider that it is no longer appropriate, they may at their absolute discretion, vary the Exercise Condition. Without prejudice to the generality of the foregoing, the ESOS Committee may impose an Exercise Condition that the Options granted herein shall only be exercised during specific periods in each month within the Option Period and in such proportions as shall be determined by the ESOS Committee (in its absolute discretion at any time and from time to time) and notified in writing to the Grantee.

10.4 An Option may be exercised in whole or in part PROVIDED THAT such exercise of the Option shall be in multiples of Shares equivalent to the board lot of Bursa Securities applicable thereat unless otherwise determined by the ESOS Committee. Subject to the foregoing, a partial exercise of an Option shall not preclude the Grantee from exercising his Option with respect to the balance of the Shares comprised in his Option subject to Bylaw 10.2.

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

- 10.5 The Grantee shall notify the Company in writing of his intention to exercise the Option in such form as may be prescribed by the ESOS Committee. Every notice of exercise of an Option shall be accompanied by a remittance in Ringgit Malaysia in the form of a banker’s draft or cashier’s order drawn and payable in Malaysia or any other mode acceptable to the ESOS Committee for the full amount of the subscription monies in relation to the number of Shares in respect of which the Option is being exercised. A Grantee who exercises his Option shall provide the ESOS Committee with his or his authorised nominee (as the case may be) Central Depository System Account (“CDS Account”) number in the notice as referred to. Within eight (8) Market Days of the date of receipt of the abovementioned notice at the registered office of the Company together with the requisite payment or such other period as may be prescribed or allowed by Bursa Securities, the Company will issue and allot such new Shares, despatch to the Grantee a notice of allotment stating the number of Shares credited into the CDS Account and make an application for the quotation of the new Shares on the Bursa Securities, subject to the provisions of the M&A. No physical share certificate will be issued to the Grantee or his authorised nominee (as the case may be).
- 10.6 Any failure to comply with the procedures specified by the ESOS Committee or to provide information required by the Company or inaccuracy in the CDS Account number provided shall result in the notice of exercise of an Option being rejected at the discretion of the ESOS Committee. The ESOS Committee shall inform the Grantee of the rejection of the said notice of exercise within fourteen (14) Market Days from the date of rejection thereof whereupon the Grantee shall be deemed not to have exercised the Option.
- 10.7 The Company, the Board and the ESOS Committee shall not under any circumstances be held liable to any person for any cost, loss, expense, damage or liability whatsoever and howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list and quote the Shares subscribed for by a Grantee or any delay in receipt or non-receipt by the Company of the notice of exercise of an Option or for any errors in any Offer.
- 10.8 Every Option shall be subject to the condition that no new Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rule and /or regulation of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.
- 10.9 Notwithstanding anything to the contrary herein contained in these Bylaws, the ESOS Committee shall have the right at its discretion by notice in writing to that effect, to suspend the rights of any Grantee who is being subjected to Disciplinary Proceedings to exercise his Option pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of the Option having regard to the nature of the charges made or brought against such Grantee, PROVIDED ALWAYS that:
- (a) in the event such Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the ESOS Committee shall reinstate the rights of such Grantee to exercise his Option;
 - (b) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Option shall immediately lapse and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such Grantee; and
 - (c) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such terms and conditions as it deems appropriate, on such exercise.

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)**11. RIGHTS ATTACHING TO THE NEW SHARES**

- 11.1 The new Shares to be allotted upon the exercise of an Option shall, upon issue and allotment, rank *pari passu* in all respects with the existing issued and paid-up ordinary shares in the capital of the Company, except that they will not rank for any dividend, rights, transfer, allotment or distribution declared, made or paid to shareholders which record date thereof precedes the date of allotment of the new Shares and will be subject to all the provisions of the M&A relating to transfer, transmission and otherwise. For the purpose hereof, the expression “record date” means the date as at the close of business on which names of shareholders appear on the Record of Depositors of the Company in order to participate in any dividend, rights, allotment or any distribution.
- 11.2 The Options shall not carry any right to vote at any general meeting of the Company.

12. LISTING AND QUOTATION OF NEW SHARES

The new Shares (if any) comprised in an Offer to the Grantee or his financier, as the case may be, will not be allotted, listed or quoted on the Bursa Securities until the Option is exercised in accordance with these Bylaws. The Company will apply to the Bursa Securities for listing of and quotation for such new Shares issued under the Scheme and will use its best endeavours to obtain permission for such listing and quotation.

13. RETENTION PERIOD

The new Shares to be allotted and issued to the Grantees (excluding non-executive Directors) pursuant to any exercise of the Options will not be subject to retention period or restriction of transfer save as specifically stated in the M&A. However, the Grantees are encouraged to hold the Shares.

Notwithstanding the above, a Grantee who is a non-executive Director must not sell, transfer or assign new Shares obtained through the exercise of the Options granted to him pursuant to the Scheme within one (1) year from the Date of Offer.

14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

- 14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of rights issues, bonus issues or other capitalisation issues, subdivisions or consolidation of shares or capital reduction or any other variation of capital:

- (a) the Subscription Price;
- (b) the number of new TIH Shares which a Grantee shall be entitled to subscribe for upon the exercise of each Option (excluding Options already exercised); and/or
- (c) the number of new TIH Shares and/or Subscription Price comprised in an Option which is open for acceptance (if such Option is subsequently accepted in accordance with terms of the Offer and the Scheme),

shall be adjusted in such manner as the external auditors or the Principal Adviser of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the ESOS Committee, confirm in writing to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

- (a) in determining a Grantee’s entitlement to subscribe for new Shares, any fractional entitlement will be disregarded;
- (b) any adjustment to the Subscription Price shall be rounded up to the nearest one (1) sen;

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

- (c) no adjustment to the Subscription Price shall be made which would result in the new TIH Shares to be issued on the exercise of the Option being issued at a discount to par value, and if such an adjustment would but for this provision have so resulted, the Subscription Price payable shall be the par value of the new TIH Shares; and
- (d) upon any adjustment being made pursuant to this Bylaw, the ESOS Committee shall within thirty (30) days of the effective date of the alteration in the capital structure of the Company notify the Grantee (or his legal or personal representatives where the Grantee is deceased) in writing informing him of the adjusted Subscription Price thereafter in effect and/or the revised number of new TIH Shares thereafter to be issued on the exercise of the Option and the event giving rise thereto.

Any adjustments to the Subscription Price and/or the number of new TIH Shares comprised in the Options so far as unexercised other than adjustments resulting from a bonus issue, must be confirmed in writing to be fair and reasonable by the external auditors or Principal Adviser of the Company.

Should there be other circumstances which give rise to a consideration for adjustments to the Subscription Price or the number of new TIH Shares in favour of all Grantees, but it is decided that no adjustments will be made, such decision must be made known to all the Grantees via a timely notice subject to compliance with the Listing Requirements.

14.2 In addition to Bylaw 14.1 and not in derogation thereof, the Subscription Price and the number of new Shares relating to the Options so far as unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with the external auditors or Principal Adviser:

- (a) If and whenever a TIH Share by reason of any consolidation or subdivision or conversion shall have a different par value, the Subscription Price shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value:

$$\text{New Subscription Price} = \frac{S \times \text{Revised Par Value}}{\text{Former Par Value}}$$

Where S = Existing Subscription Price.

and the number of additional new Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left[\frac{T \times \text{Former Par Value}}{\text{Revised Par Value}} \right] - T$$

Where T = Existing number of Shares relating to the Options so far as unexercised

Such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective (being the date when TIH Shares are traded on Bursa Securities at the new par value), or such period as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of new TIH Shares to ordinary shareholders credited as fully paid-up, by way of bonus issue or capitalisation issue (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

ANNEXURE A – BYLAWS OF THE EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

and the number of additional new Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left[T \times \frac{A + B}{A} \right] - T$$

Where

- A = The aggregate number of issued and fully paid-up TIH Shares immediately before such bonus issue or capitalisation issue;
- B = The aggregate number of new Shares to be issued pursuant to any allotment to ordinary shareholders credited as fully paid-up by way of bonus issue or capitalisation issue (whether of a capital or income nature and including any share premium account and capital redemption reserve fund); and
- T = As T above

Such adjustment will be effective from the commencement of the Market Day immediately following the entitlement date for such issue.

- (c) If and whenever the Company shall make:
- (i) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for TIH Shares by way of rights; or
 - (iii) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into TIH Shares or securities with rights to acquire or subscribe for TIH Shares,

then and in respect of each such case, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of each such case referred to in Bylaw 14.2(c)(ii) hereof, the number of additional new Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = T \times \left[\frac{C}{C - D^*} \right] - T$$

Where

- C = The current market price of each TIH Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation;

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

- D = (i) In the case of an offer or invitation to acquire or subscribe for TIH Shares by way of rights under Bylaw 14.2(c)(ii) above or for securities convertible into TIH Shares or with rights to acquire or subscribe for TIH Shares under Bylaw 14.2(c)(iii) above, the value of rights attributable to one (1) TIH Share (as defined below); or
- (ii) In the case of any other transaction falling within Bylaw 14.2(c) hereof, the fair market value as determined (with the concurrence of the auditor) by the external auditors or Principal Adviser of that portion of the Capital Distribution attributable to one (1) Share;
- D* = The “value of the rights attributable to one (1) Share” (as defined below); and
- T = As T above.

For the purpose hereof, “value of rights attributable to one (1) TIH Share” shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where

- C = As C above;
- E = The subscription price for one (1) additional TIH Share or one (1) additional security convertible into TIH Shares or one (1) additional security with rights to acquire or subscribe for TIH Shares under the terms of such offer or invitation; and
- F = The number of TIH Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional TIH Share or security convertible into TIH Shares or rights to acquire or subscribe for TIH Shares.

For the purpose of Bylaw 14.2(c) hereof, “Capital Distribution” shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of TIH Shares (not falling under Bylaw 14.2(b) hereof) or other securities credited as fully or partly paid-up by way of bonus issue or capitalisation issue (whether of a capital or income nature and including any share premium account or capital redemption reserve fund).

Any dividend declared or provided for in the accounts of the Company for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated financial statements of the Company.

Such adjustment will be effective from the commencement of the Market Day immediately following the entitlement date for such Capital Distribution or offer or invitation, as the case may be.

ANNEXURE A – BYLAWS OF THE EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in Bylaw 14.2(b) above and also makes any offer or invitation to its ordinary shareholders as provided in Bylaw 14.2(c)(ii) or (iii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer of invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in Bylaw 14.2(b) above and also makes any offer or invitation to its ordinary shareholders as provided in Bylaw 14.2(c)(ii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the number of additional new Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left[\frac{T \times (G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where

- B = As B above;
- C = As C above;
- G = The aggregate number of issued and fully paid-up TIH Shares on the entitlement date;
- H = The aggregate number of new TIH Shares under an offer or invitation to acquire or subscribe for TIH Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into TIH Shares or securities with rights to acquire or subscribe for TIH Shares, as the case may be;
- H* = The aggregate number of new TIH Shares under an offer or invitation to acquire or subscribe for TIH Shares by way of rights;
- I = The subscription price of one (1) additional TIH Share under the offer or invitation to acquire or subscribe for TIH Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional TIH Share, as the case may be;
- I* = The subscription price of one (1) additional TIH Share under the offer or invitation to acquire or subscribe for TIH Shares; and
- T = As T above.

Such adjustment will be effective from the commencement of the Market Day immediately following the entitlement date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for TIH Shares as provided in Bylaw 14.2(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for ordinary shares as provided in Bylaw 14.2(c)(iii) above, the Subscription Price shall be adjusted by multiplying it by the following fraction:

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional new Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left[\frac{T \times (G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where

- C = As C above;
- G = As G above;
- H = As H above;
- H* = As H* above;
- I = As I above;
- I* = As I* above;
- J = The aggregate number of TIH Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for TIH Shares by the ordinary shareholders;
- K = The exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional TIH Share; and
- T = As T above.

Such adjustment will be effective from the commencement of the Market Day immediately following the entitlement date for such issue.

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in Bylaw 14.2(b) above and also makes an offer or invitation to acquire or subscribe for TIH Shares to its ordinary shareholders as provided in Bylaw 14.2(c)(ii) above, together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for TIH Shares as provided in Bylaw 14.2(c)(iii) above, and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the number of additional new Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left[\frac{T \times (G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

Where

B	=	As B above.
C	=	As C above;
G	=	As G above;
H	=	As H above;
H*	=	As H* above;
I	=	As I above;
I*	=	As I* above;
J	=	As J above;
K	=	As K above; and
T	=	As T above.

Such adjustment will be effective from the commencement of the Market Day immediately following the entitlement date for such issue.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders and requiring an adjustment under Bylaw 14.2(c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any new TIH Shares or any securities convertible into TIH Shares or any rights to acquire or subscribe for TIH Shares, and in any such case, the Total Effective Consideration per TIH Share (as defined below) is less than 90% of the average price of one (1) TIH Share as derived from the last dealt prices for one or more board lots of TIH Shares as quoted on Bursa Securities on the Market Day comprised in the period used as a basis upon which the issue price of such TIH Shares is determined (“Average Price for one (1) TIH Share”) or, as the case may be, the price at which the TIH Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

Where

L	=	The number of TIH Shares in issue at the close of business on the Market Day immediately preceding the date on which relevant adjustment becomes effective;
M	=	The number of TIH Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price of one (1) TIH Share (exclusive of expenses); and

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

N = The aggregate number of TIH Shares so issued or, in the case of securities convertible into TIH Shares or rights to acquire or subscribe for TIH Shares, the maximum number (assuming no adjustment of such rights) of TIH Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of Bylaw I4.2(g), “Total Effective Consideration” shall be determined by the Board with the concurrence of the external auditors or Principal Adviser and shall be:

- (i) in the case of the issue of new TIH Shares, the aggregate consideration receivable by the Company on payment in full for such TIH Shares; or
- (ii) in the case of the issue by the Company of securities wholly or partly convertible into TIH Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for TIH Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commission, discount or expenses paid, allowed or incurred in connection with the issue thereof, and the “Total Effective Consideration per TIH Share” shall be the Total Effective Consideration divided by the number of TIH Shares issued as aforesaid or, in the case of securities convertible into TIH Shares or securities with rights to acquire or subscribe for TIH Shares, by the maximum number of TIH Shares issuable on full conversion of such securities or on exercise in full of such rights.

Such adjustment will be effective (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day preceding the date on which the issue is announced, or (failing any such announcement) on the Market Day immediately preceding the date on which the Company determines the offer price of such TIH Shares for such issue. Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the completion of the above transaction. The adjustment pursuant to this Bylaw shall be made on the day immediately following the books closure date for the event giving rise to the adjustment.

14.3 The provisions of this Bylaw I4 shall not apply where the alteration in the capital structure of the Company arises from:

- (a) the issue of securities as consideration for an acquisition of any other securities, assets or business;
- (b) a special issue of new TIH Shares approved by the relevant governmental authorities;
- (c) a private placement or restricted issue of new TIH Shares by the Company;
- (d) an issue of new TIH Shares arising from the exercise of any conversion rights attached to securities convertible into new TIH Shares or upon exercise of any other rights to acquire or subscribe for new TIH Shares, including warrants (if any) issued by the Company;
- (e) an issue of new TIH Shares upon the exercise of Options pursuant to the Scheme;
- (f) an issue of further Options to Eligible Persons under these Bylaws; or

ANNEXURE A – BYLAWS OF THE EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

- (g) a share buy-back arrangement by the Company pursuant to the Section 67A of the Act:
 - (i) if the number of TIH Shares in respect of the Options granted by TIH as at the date of designation of the TIH Shares so purchased as treasury shares or cancellation of such treasury shares is greater than ten per centum (10%) of the issued capital of TIH after such designation or cancellation, the ESOS Committee shall not make any further Offers; and
 - (ii) if the number of TIH Shares in respect of the Options granted by TIH as at the date of designation of the TIH Shares so purchased as treasury shares or cancellation of such treasury shares is less than ten per centum (10%) of the issued capital of TIH after such designation or cancellation, the ESOS Committee may make further Offers only until the total number of Shares comprised in the Options granted by TIH is equivalent to ten per centum (10%) of the issued capital of TIH after such designation or cancellation.
- 14.4 Upon any adjustment being made, the ESOS Committee shall within thirty (30) days of the effective date of the alteration in capital structure of the Company notify the Grantee (or his legal or personal representatives where the Grantee is deceased) in writing to inform him of the adjusted Subscription Price thereafter in effect and/or the revised number of new TIH Shares thereafter to be issued on the exercise of the Option and the event giving rise thereto.
- 14.5 In the event of any alteration in the capital structure of the Company during the tenure of the Option Period for which the formula has not already been set out in this Bylaw 14, the Board shall have the discretion to decide and accordingly assess the practicality of complying with the requirement to cause such corresponding adjustment (if any) to be made to:
 - (a) the Subscription Price; and/ or
 - (b) the number of new TIH Shares comprised in the Option or any portion thereof which have not been exercised; and/or
 - (c) the number of new TIH Shares and/or Subscription Price comprised in an Offer which is open for acceptance (if such Offer is subsequently accepted in accordance with terms of the Offer and the Scheme); and/ or
 - (d) the formula for adjustment which shall be generally acceptable, in compliance with the Listing Requirements (if any), and not detrimental to the Grantee.

15. TAKEOVER

Notwithstanding Bylaw 10 hereof and subject to the provisions of any applicable laws, rules, regulations, guidelines and/or conditions issued by the relevant authorities, in the event of:

- 15.1 a takeover offer being made for the Company through a general offer to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the general offer ("Offeror") or any persons acting in concert with the Offeror) a Grantee will be entitled within three (3) months of such a general offer being made, to exercise all or any part of his unexercised Options or until the expiry of the Option Period pursuant to Bylaw 21, whichever is earlier. The Board shall use their best endeavours to procure that such a general offer be extended to any new Shares that may be issued pursuant to the exercise of Options under this Bylaw; and

ANNEXURE A – BYLAWS OF THE EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

- 15.2 the Offeror becoming entitled or bound to exercise the rights of compulsory acquisition of Shares under the provisions of the Capital Markets and Services Act 2007 or other relevant laws applicable at the material time and gives notice to the Company that it intends to exercise such right on a specific date, a Grantee will be entitled to exercise all or any part of his unexercised Option from the date of service of the said notice to the Company until and inclusive of the date on which the right of compulsory acquisition is exercised.

In the foregoing circumstances, if the Grantee fails to exercise his/her Options or elects to exercise only in respect of a portion of such Options, then any Options to the extent unexercised by the expiry of the periods stipulated in the aforesaid circumstances shall automatically lapse and be null and void.

16. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC

Notwithstanding Bylaw 10 but subject to the discretion of the ESOS Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Act or its amalgamation with any other company or companies under Section 178 of the Act, a Grantee may be entitled to exercise all or any part of his Option remaining unexercised at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending on the date immediately preceding upon which it becomes effective. Upon the aforesaid compromise or arrangement become effective, all or any part of an Option which remains unexercised shall automatically lapse and be null and void. In the event that the Company is not liquidated, all or part of an Option which remains unexercised shall remain in force until the expiry of the Option Period.

17. MODIFICATION / VARIATION TO THE SCHEME

- 17.1 The ESOS Committee may at any time and from time to time recommend to the Board any amendments and/or modifications to all or any of the provisions of the Scheme and these Bylaws and the power to amend and/or modify all or any of the provisions of the Scheme and these Bylaws shall rest with the Board PROVIDED THAT no amendment shall alter adversely the rights attaching to any Options granted prior to such amendment, nor alter such rights to the advantage of any Grantee without the prior approval of the shareholders of the Company. The Company is required to submit to Bursa Securities a confirmation letter that the amendment or modification does not contravene any of the provisions of the Listing Requirements on employees' share option scheme and the rules issued by Bursa Depository no later than five (5) Market Days after the effective date of the said amendment or modification is made.

- 17.2 No such addition or amendment, modification and/or deletion of these By-Laws shall be made which will:

- (a) prejudice any rights then accrued to any Grantee without the prior consent or sanction of the majority of the Grantees at a meeting called for such purpose. The quorum for such meetings of Grantees shall be two (2); and
- (b) prejudice any rights of the shareholders of the Company without the prior approval of the Company's shareholders in a general meeting.

18. TERMINATION OF OPTIONS

- 18.1 Unless otherwise determined by the ESOS Committee in its absolute discretion, upon the cessation of employment of a Grantee with the Group or the cessation of the directorship of a Grantee who is a Director for whatever reason prior to the exercise of the Option or any part thereof, such unexercised Option shall forthwith cease and the balance of any unexercised Option may be offered to other Eligible Persons.

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

18.2 Should the following circumstances occur:

- (a) retirement on attaining the retirement age under the Group's retirement policy; or
- (b) retirement before attaining the normal retirement age but with the consent of the ESOS Committee;

a Grantee shall not be eligible to any new Offer but shall be entitled only to exercise any Option which has not been exercised during the Option Period up to and including the last day of employment (or such extended period as the ESOS Committee may allow).

18.3 Upon the bankruptcy of a Grantee, any and all unexercised portion of the Option shall immediately become null and void and have no further effect as if the same had never been granted in the first place.

18.4 In the event a Grantee dies before the expiry of the Option Period and at the date of his death held an Option unexercised in whole or in part, his legal or personal representatives may exercise his entire unexercised Option within six (6) calendar months from the date of his death or such extended period as the ESOS Committee may allow failing which such unexercised Option shall immediately become null and void and of no further force and effect.

18.5 Save for the amendments and/or changes to the relevant statutes, guidelines and/or regulations currently in force, the Scheme may be terminated by the Company at any time during the duration of the Scheme provided the Company announces to Bursa Securities:

- (a) the effective date of termination;
- (b) the number of Options exercised or Shares vested; and
- (c) the reasons for termination.

18.6 Notwithstanding Bylaw 18.1 above, the ESOS Committee may at its discretion allow an Option to remain exercisable on such terms and conditions as it shall deem fit if the cessation of appointment or employment, as the case may be, occurs as a result of:

- (a) redundancy;
- (b) ill-health, injury, physical or mental disability; or
- (c) any other circumstances which are acceptable to the ESOS Committee;

18.7 Any Option which the ESOS Committee permits to be exercisable pursuant to Bylaws 18.2 and 18.6, to the extent unexercised by the Grantee (or his legal representatives) as at the cessation of the Option Period or such extended period as may be permitted by the ESOS Committee in accordance with the relevant Bylaws, shall automatically lapse thereafter.

19. DIVESTMENT FROM THE GROUP

If a Grantee who was in the employment of a corporation in the Group which was subsequently divested, then such Grantee shall:

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

- (a) notwithstanding such divestment or any of the provisions of any Bylaw herein at the discretion and approval of the ESOS Committee, be entitled to continue to exercise all such unexercised Option which were granted to him under the Scheme within a period of six (6) calendar months from the date of such divestment (within the Option Period), failing which the right of such Grantee to subscribe for that number of the new Shares under his Option shall, together with the remainder of his Option, automatically lapse and be null and void and of no further force and effect; and
- (b) not be eligible to participate for further Offers under the Scheme.

20. LIQUIDATION OF THE COMPANY

In the event of any proceedings of winding-up of the Company, all unexercised Options shall be suspended until the winding-up proceedings are withdrawn or resolved subsequent to which only any unexercised Options shall be allowed to be exercised, PROVIDED ALWAYS the exercising of the Options is within the Option Period or such extended period as the ESOS Committee may allow.

21. DURATION OF THE SCHEME

21.1 The effective date for the implementation of the Scheme shall be on the date of admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Securities.

21.2 Subject to Bylaw 18.5, the Scheme shall be in force for a period of ten (10) years commencing from the effective date for the implementation of the Scheme, which shall be the date of full compliance with all relevant requirements including the following:

- (a) submission of the final copy of the Bylaws to Bursa Securities together with a letter of compliance pursuant to Paragraph 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
- (b) receipt of approval-in-principle from Bursa Securities for the listing of and quotation for the TIH Shares to be issued pursuant to the exercise of Options granted under the Scheme;
- (c) the approval of the shareholders of TIH for the ESOS being obtained;
- (d) receipt of the approval(s) of any other relevant authorities (where applicable); and
- (e) fulfilment or waiver (as the case may be) of all applicable conditions attached to the above approvals (if any)

22. SUBSEQUENT EMPLOYEES’ SHARE OPTION SCHEMES

The Company may implement more than one (1) employees’ share option scheme provided that the aggregate number of shares available under all the Scheme does not breach the limit stipulated in Bylaw 3 or upon termination of the Scheme pursuant to the provisions of Bylaw 18.5, subject to the approval of Bursa Securities, shareholders of the Company at a general meeting and any other relevant authorities/parties.

23. TAXES

All taxes (including income tax), if any, arising from the exercise of any Option under the Scheme shall be borne by the Grantee.

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

24. COSTS AND EXPENSES

- 24.1 For the avoidance of doubt, all other costs, fees, levies and/or charges that are incurred by Grantee pursuant or relating to the exercise of any Option, and any holding or dealing of such TIH Shares (such as (but not limited to) brokerage commissions and stamp duty), shall be borne by that Grantee for his/her own account, and TIH shall not be liable for any one or more of such costs, fees, levies and/or charges.
- 24.2 Save for the taxes referred to in Bylaw 23 and the fees referred to in Bylaw 24.1, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of the Scheme Shares by the Company pursuant to the exercise of any Option shall be borne by the Company.

25. DISCLAIMER OF LIABILITY

Notwithstanding any provisions contained herein and subject to the Act, the Board, the ESOS Committee and the Company and/or its agents, shall not under any circumstances be held liable for any cost, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company’s delay in allotting and issuing the Scheme Shares or in applying for or procuring the listing of the Scheme Shares on the Bursa Securities.

26. DISPUTES

Any dispute or difference of any nature arising hereunder shall be referred to the decision of the ESOS Committee. The said decision shall be final and binding on the parties unless the Eligible Person or Grantee, as the case may be, shall dispute the same by notice to the ESOS Committee within fourteen (14) days of the receipt of the decision of the ESOS Committee, in which case, such dispute or difference shall be referred to the decision of an approved company auditor as defined under Section 8 of the Act (acting as expert and not as arbitrator), whose decision shall be binding in all respects and whose costs shall be borne by the party against whom the decision is given on appeal.

27. COMPENSATION

- 27.1 The Scheme shall afford the Grantee no additional right to compensation or damages in the event of the cessation of his employment or appointment for any reason whatsoever.
- 27.2 Participation in this Scheme by an Eligible Person is a matter entirely separate from his terms and conditions of employment and participation in this Scheme shall in no respects whatever affect in any way a Grantee’s terms and conditions of employment. In particular (but without limiting the generality of the foregoing words) any Grantee who leaves employment shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under this Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal, dismissal without just cause or excuse, or other breach of contract or by way of compensation for loss of office or otherwise howsoever.

28. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any Eligible Person.

29. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

All Grantees shall be entitled to inspect a copy of the latest audited financial statements of the Company which shall be made available at the registered office of the Company during normal office hours on any working day of the Company.

ANNEXURE A – BYLAWS OF THE EMPLOYEES’ SHARE OPTION SCHEME (Cont’d)

30. NOTICE

- 30.1 Any notice which under the Scheme is required to be given to or served upon the ESOS Committee by an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee and the ESOS Committee shall be given or served in writing and either delivered by hand or sent to the registered office of the Company by facsimile or ordinary letter. Proof of posting shall not be evidence of receipt of the letter.
- 30.2 Any notice under the Scheme required to be given to or served upon an Eligible Person or Grantee shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, by electronic mail, by facsimile transmission and/or by letter sent via ordinary post addressed to the Eligible Person or Grantee at his/her place of employment, to his/her electronic mail address, at his/her last facsimile transmission number known to TIH, or to his/her last-known address. Any notice served by hand, by facsimile, by electronic mail or post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and acknowledged, (if by facsimile transmission) is transmitted with a confirm log print-out for the transmission indicating the date, time and transmission of all pages, (if by electronic mail) the dispatch of the electronic mail, (if any post) 3 days after postage.
- 30.3 Any notice served by a party after the Company’s official working hours shall be deemed to have been served on the next working day.

31. MEMORANDUM AND ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the M&A, the provisions of the M&A shall prevail at all times.

32. GOVERNING LAW

The Scheme, the Bylaws, and all Offers and all Options made and granted and actions taken under the Scheme shall be governed by and construed in accordance with the Malaysian law.

33. SEVERABILITY

- 33.1 Any term, condition, stipulation or provision in these Bylaws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

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