



Tune Ins Holdings Berhad (948454-K)

Interim Financial Statements

For the Quarter and Six Months Ended 30 June 2013

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of financial position As at 30 June 2013

| | As at 30 Jun 2013 Unaudited RM'000 | Restated As at 31 Dec 2012 Audited RM'000 |
|--|---|---|
| Assets | | |
| Property and equipment | 13,226 | 13,306 |
| Investment property | 2,921 | 2,934 |
| Intangible assets | 4,799 | 5,239 |
| Goodwill | 24,165 | 24,165 |
| Investments | 535,973 | 474,615 |
| Deferred tax asset | 913 | - |
| Reinsurance assets | 200,979 | 159,970 |
| Insurance receivables | 93,705 | 75,977 |
| Other receivables | 43,150 | 36,832 |
| Cash and bank balances | 19,889 | 22,587 |
| Total assets | 939,719 | 815,625 |
| Equity | | |
| Share capital | 75,176 | 60,838 |
| Share premium | 173,343 | - |
| Merger deficit | (13,838) | (13,838) |
| Available-for-sale reserves | (2,682) | (455) |
| Retained earnings | 91,044 | 60,844 |
| Equity attributable to owners of the parent | 323,043 | 107,389 |
| Non-controlling interests | 35,018 | 33,120 |
| Total equity | 358,061 | 140,509 |
| Liabilities | | |
| Insurance contract liabilities | 467,799 | 439,915 |
| Deferred tax liabilities | 2,014 | 2,637 |
| Provision for taxation | 40 | - |
| Borrowings | - | 132,106 |
| Insurance payables | 80,988 | 68,022 |
| Retirement benefits | 878 | 1,148 |
| Other payables | 29,939 | 31,288 |
| Total liabilities | 581,658 | 675,116 |
| Total equity and liabilities | 939,719 | 815,625 |
| Net assets per ordinary share attributable to owners of the parent (RM) | 0.43 | 0.18 |

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of comprehensive income For the six-month period ended 30 June 2013

| | Note | Restated | | Restated | |
|---|------|-----------------|-----------------|---------------------|-----------------|
| | | Current quarter | | Cumulative quarters | |
| | | 3 months ended | | 6 months ended | |
| | | 30 Jun | 30 Jun | 30 Jun | 30 Jun |
| | | 2013 | 2012 | 2013 | 2012 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Operating revenue | | 96,707 | 50,886 | 183,453 | 67,693 |
| Gross earned premiums | | 91,562 | 49,232 | 174,050 | 65,851 |
| Premiums ceded to reinsurers | | (30,011) | (19,143) | (60,197) | (19,440) |
| Net earned premiums | | 61,551 | 30,089 | 113,853 | 46,411 |
| Investment income | 8 | 5,145 | 1,654 | 9,403 | 1,842 |
| Realised gains and losses | | 198 | 1,061 | 3,688 | 1,061 |
| Fees and commission income | | 6,635 | 1,360 | 14,225 | 1,360 |
| Other operating income | | 173 | 886 | 305 | 886 |
| Other revenue | | 12,151 | 4,961 | 27,621 | 5,149 |
| Gross claims paid | | (45,387) | (12,568) | (80,526) | (12,910) |
| Claims ceded to reinsurers | | 12,843 | 3,629 | 20,349 | 3,629 |
| Gross changes to contract liabilities | | (1,289) | (2,899) | (6,111) | (2,974) |
| Change in contract liabilities ceded to reinsurers | | 6,502 | 2,254 | 17,090 | 2,254 |
| Net claims | | (27,331) | (9,584) | (49,198) | (10,001) |
| Fee and commission expenses | | (14,986) | (7,246) | (29,482) | (12,563) |
| Management expenses | | (15,471) | (4,247) | (27,053) | (6,685) |
| Other operating expenses | | - | (1,309) | (897) | (1,309) |
| Finance costs | | - | (2,733) | (1,903) | (2,733) |
| Other expenses | | (30,457) | (15,535) | (59,335) | (23,290) |
| Profit before taxation | 9 | 15,914 | 9,931 | 32,941 | 18,269 |
| Taxation | 10 | 1,409 | (1,654) | (395) | (1,694) |
| Net profit for the period | | 17,323 | 8,277 | 32,546 | 16,575 |
| Other comprehensive (loss)/income: | | | | | |
| <u>Movements in available-for-sale fair value reserves:</u> | | | | | |
| Gain on fair value changes of AFS investments | | 17 | 1,073 | 102 | 1,073 |
| Realised gain transferred to profit or loss | | (185) | (1,057) | (3,669) | (1,057) |
| Deferred tax relating to components of other comprehensive income | | 42 | (4) | 892 | (4) |
| Net other comprehensive (loss)/income for the period | | (126) | 12 | (2,675) | 12 |
| Total comprehensive income for the period | | 17,197 | 8,289 | 29,871 | 16,587 |

Tune Ins Holdings Berhad (948454-K)

**Condensed consolidated statement of comprehensive income (contd.)
For the six-month period ended 30 June 2013**

| | Note | Restated | | Restated | |
|--|------|-----------------------------------|----------------|---------------------------------------|----------------|
| | | Current quarter 3 months ended | | Cumulative quarters 6 months ended | |
| | | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 16,305 | 6,892 | 30,200 | 13,909 |
| Non-controlling interests | | 1,018 | 1,385 | 2,346 | 2,666 |
| | | 17,323 | 8,277 | 32,546 | 16,575 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 16,200 | 6,902 | 27,973 | 13,919 |
| Non-controlling interests | | 997 | 1,387 | 1,898 | 2,668 |
| | | 17,197 | 8,289 | 29,871 | 16,587 |
| Basic earnings per share attributable to owners of the parent (sen per share) | 11 | 2.29 | 48.41 | 4.24 | 97.69 |

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of cash flows For the six-month period ended 30 June 2013

| | Restated | |
|--|----------------------------|--------------------|
| | Cumulative quarters | |
| | 6 months ended | |
| | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 32,941 | 18,269 |
| Adjustments for non-cash items | 16,280 | 8,301 |
| Operating profit before working capital changes: | 49,221 | 26,570 |
| Net change in operating assets | (60,460) | 7,411 |
| Net change in operating liabilities | 38,719 | (15,638) |
| Cash generated from operating activities | 27,480 | 18,343 |
| Net interest received | 8,797 | 1,817 |
| Net dividend received | 150 | 160 |
| Rental received | 173 | 31 |
| Retirement benefits paid | (270) | (68) |
| Income tax paid | (1,891) | (364) |
| Net cash generated from operating activities | 34,439 | 19,919 |
| Cash flows from investing activities | | |
| Proceeds from disposal of property and equipment | 19 | 4 |
| Purchase of property and equipment | (378) | (182) |
| Acquisition of a subsidiary | - | (77,885) |
| Purchase of intangible assets | (3) | - |
| Advances to ultimate holding company | - | - |
| Net cash used in investing activities | (362) | (78,063) |
| Cash flows from financing activities | | |
| (Repayment of)/Proceeds from borrowings | (132,106) | 129,453 |
| Interest paid | (1,903) | (2,733) |
| Proceed from issuance of ordinary shares | 187,681 | - |
| Advances from holding company | 782 | 40,018 |
| Dividends paid to non-controlling interests | - | (2,500) |
| Net cash generated from financing activities | 54,454 | 164,238 |
| Net increase in cash and cash equivalents | 88,531 | 106,094 |
| Cash and cash equivalents at beginning of period | 139,182 | 33,270 |
| Cash and cash equivalents at end of period | 227,713 | 139,364 |
| Cash and cash equivalents comprise: | | |
| Fixed and call deposits (with maturity of less than three months) with licensed financial institutions | 207,824 | 115,839 |
| Cash and bank balances | 19,889 | 23,525 |
| | 227,713 | 139,364 |

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of changes in equity For the six-month period ended 30 June 2013

| | Attributable to the owners of the parent | | | | | | Non-controlling interests | Total equity |
|--|--|----------------|-----------------|-----------------------------|-------------------|----------------|---------------------------|----------------|
| | Non-distributable | | | | Distributable | | | |
| | Share capital | Share premium | Merger deficit | Available-for-sale reserves | Retained earnings | Total | | |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| At 1 January 2013 | | | | | | | | |
| As previously stated | 60,838 | - | (13,838) | (455) | 61,178 | 107,723 | 32,052 | 139,775 |
| Arising from fair value adjustments on the completion of initial accounting for business combination | - | - | - | - | (334) | (334) | 1,068 | 734 |
| As restated | 60,838 | - | (13,838) | (455) | 60,844 | 107,389 | 33,120 | 140,509 |
| Total comprehensive income for the period | - | - | - | (2,227) | 30,200 | 27,973 | 1,898 | 29,871 |
| Issuance of ordinary shares during the period | 14,338 | 179,219 | - | - | - | 193,557 | - | 193,557 |
| Share issuance expense | - | (5,876) | - | - | - | (5,876) | - | (5,876) |
| At 30 June 2013 | 75,176 | 173,343 | (13,838) | (2,682) | 91,044 | 323,043 | 35,018 | 358,061 |
| At 1 January 2012 | 14,238 | - | (13,838) | - | 19,698 | 20,098 | 1,631 | 21,729 |
| Arising from acquisition of subsidiaries | - | - | - | - | - | - | 27,386 | 27,386 |
| Total comprehensive income for the period | - | - | - | 10 | 13,909 | 13,919 | 2,668 | 16,587 |
| Dividends | - | - | - | - | - | - | (2,000) | (2,000) |
| At 30 June 2012 (As restated) | 14,238 | - | (13,838) | 10 | 33,607 | 34,017 | 29,685 | 63,702 |

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 30 June 2013, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements should be read in conjunction with the Group audited financial statements for the financial year ended 31 December 2012.

The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the last financial year ended 31 December 2012.

2. Changes in accounting policies

2.1 Adoption of new and revised MFRSs, Amendments to MFRSs and IC Interpretations

In the current period ended 30 June 2013, the Group adopted the following new and revised MFRSs, Amendments to MFRSs and IC Interpretations which are applicable to its financial statements effective for annual periods beginning on or after 1 July 2012 and 1 January 2013:

- Amendments to MFRS 1 First-time Adoption of Malaysian Reporting Standards- 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
- Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income
- MFRS 119 Employee Benefits
- 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 Separate Financial Statements
- MFRS 128 Investments in Associates and Joint Ventures
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

2. Changes in accounting policies (contd.)

2.1 Adoption of new and revised MFRSs, Amendments to MFRSs and IC Interpretations (contd.)

- 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

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except for MFRS 12 and Amendments to MFRS 101 which affect presentation and disclosures only and has no impact on the Group's financial position and performance.

2.2 Standards issued but not yet effective

The following MFRSs and Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted by the Group:

Effective for financial periods beginning on or after 1 January 2014

- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 12 and MFRS 127 : Investment Entities

Effective for financial periods beginning on or after 1 January 2015

- MFRS 9 Financial Instruments

3. Restatement of comparatives

In prior year, the Company completed the acquisition of Tune Insurance Malaysia Berhad ("TIMB"). However, the Group has accounted for the acquisition of TIMB on a provisional basis as the purchase price allocation ("PPA") exercise and allocation of goodwill to specific cash generating units was still ongoing as of 31 December 2012.

During the current financial period, the PPA exercise has been completed including the identification of intangible assets. The effects arising from the changes between the provisional PPA amounts as compared to the finalised PPA amounts are as follows:

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

3. Restatement of comparatives (contd.)

| | As previously stated RM'000 | Restate- ments RM'000 | As restated RM'000 |
|--|-----------------------------------|-----------------------------|-----------------------|
| Consolidated statement of financial position as at 31 December 2012 | | | |
| Property and equipment | 10,411 | 2,895 | 13,306 |
| Investment property | 2,395 | 539 | 2,934 |
| Intangible assets | 157 | 5,082 | 5,239 |
| Goodwill | 29,818 | (5,653) | 24,165 |
| Retained earnings | 61,178 | (334) | 60,844 |
| Non-controlling interests | 32,052 | 1,068 | 33,120 |
| Deferred tax liabilities | 508 | 2,129 | 2,637 |

Consolidated statement of comprehensive income for cumulative quarters 6 months ended 30 June 2012

| | | | |
|---------------------------|--------|------|--------|
| Management expenses | 6,608 | 77 | 6,685 |
| Profit before taxation | 18,346 | (77) | 18,269 |
| Taxation | 1,713 | (19) | 1,694 |
| Net profit for the period | 16,633 | (58) | 16,575 |

Consolidated statement of comprehensive income for current quarter 3 months ended 30 June 2012

| | | | |
|---------------------------|--------|------|-------|
| Management expenses | 4,170 | 77 | 4,247 |
| Profit before taxation | 10,008 | (77) | 9,931 |
| Taxation | 1,673 | (19) | 1,654 |
| Net profit for the period | 8,335 | (58) | 8,277 |

4. Change in estimates

There were no changes in estimates that have had a material effect in the current interim results.

5. Changes in composition of the Group

There were no changes in the composition of the Group in the current quarter.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

6. Segment information

The Group is organised into business units based on their products and services, and has four business segments as follows:

| | |
|------------------------------|---|
| Investment holding | : Investment holding operations |
| General reinsurance business | : Underwriting of all classes of general reinsurance business |
| Life reinsurance business | : Underwriting of all life reinsurance business |
| General insurance business | : Underwriting of all classes of general insurance business |

| | Investment holding | | General reinsurance | | Life reinsurance | | General insurance | | Adjustments and eliminations | | Consolidated | |
|------------------------------|--------------------|-------------|---------------------|-------------|---------------------|-------------|----------------------|-------------|------------------------------|-------------|----------------------|-------------|
| | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | Cumulative quarters | | 6 months ended | | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | RM'000 | RM'000 | RM'000 | RM'000 |
| Operating revenue | | | | | | | | | | | | |
| External | 677 ¹ | 32 | 26,284 ² | 32,763 | 154 ³ | 152 | 156,338 ⁴ | 34,746 | - | - | 183,453 ⁵ | 67,693 |
| Inter-segment | - | - | 18,950 | - | - | - | - | - | (18,950) | - | - | - |
| | 677 | 32 | 45,234 | 32,763 | 154 | 152 | 156,338 | 34,746 | (18,950) | - | 183,453 | 67,693 |
| Segment (loss)/profit | (4,938) | (4,043) | 23,450 | 16,893 | 145 | (889) | 14,744 | 6,385 | (460) | (77) | 32,941 | 18,269 |
| Segment assets | 271,058 | 220,452 | 70,818 | 38,221 | 11,324 | 10,043 | 775,588 | 697,108 | (189,069) | (169,296) | 939,719 | 796,528 |
| Segment liabilities | 2,692 | 187,704 | 21,354 | 23,344 | 886 | 10,971 | 575,103 | 531,666 | (18,377) | (20,917) | 581,658 | 732,768 |

¹ investment income of RM677k

² included investment income of RM360k

³ investment income of RM154k

⁴ included investment income of RM8.2 million

⁵ included investment income of RM9.4 million

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

7. Seasonality of operations

The Group is subject to seasonal fluctuation in the general reinsurance business within an annual cycle. The Group records higher gross earned premiums for our product, Tune Insure Travel Protection Plan, during festivals and holiday periods with high travel volume, in particular first and fourth quarters of each calendar year. There is no significant seasonal trend for the other businesses of the Group.

8. Investment income

| | Current quarter 3 months ended | | Cumulative quarters 6 months ended | |
|--|-----------------------------------|----------------|---------------------------------------|----------------|
| | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Rental income from investment property | 86 | 31 | 173 | 31 |
| Interest income: | | | | |
| - available-for-sale financial assets | 1,550 | 500 | 3,096 | 500 |
| - loan and receivables | 2,679 | 996 | 5,021 | 1,184 |
| - others | 812 | 28 | 897 | 28 |
| Dividend income: | | | | |
| - available-for-sale financial assets | 40 | 99 | 150 | 99 |
| | 5,167 | 1,654 | 9,337 | 1,842 |
| Net amortisation of premiums on investments | (22) | - | 66 | - |
| | 5,145 | 1,654 | 9,403 | 1,842 |

9. Profit before taxation

| | Restated | | Restated | |
|---|-----------------------------------|----------------|---------------------------------------|----------------|
| | Current quarter 3 months ended | | Cumulative quarters 6 months ended | |
| | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance costs | - | 2,733 | 1,903 | 2,733 |
| Depreciation of property and equipment | 276 | 68 | 458 | 68 |
| Depreciation of investment property | 8 | 2 | 13 | 2 |
| Amortisation of intangible assets | 444 | 79 | 444 | 79 |
| Allowance for/(Reversal of) impairment losses of insurance receivables | 288 | (704) | 293 | (704) |

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

9. Profit before taxation (contd.)

| | Restated | | Restated | |
|--|-----------------|----------------|---------------------|----------------|
| | Current quarter | | Cumulative quarters | |
| | 3 months ended | | 6 months ended | |
| | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Realised (gain)/loss on disposal of property and equipment | (14) | 4 | (19) | 4 |
| Realised (gain)/loss on disposal of available-for-sale investments | (185) | 1,057 | (3,669) | 1,057 |
| Loss on foreign exchange- realised | 151 | - | 215 | - |
| Gain on foreign exchange- unrealised | (105) | - | (104) | - |
| Listing expenses | - | - | 897 | - |

10. Taxation

| | Restated | | Restated | |
|------------------------------|-----------------|----------------|---------------------|----------------|
| | Current quarter | | Cumulative quarters | |
| | 3 months ended | | 6 months ended | |
| | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax (benefit)/expense | (381) | 1,747 | 1,931 | 1,787 |
| Deferred tax benefit | (1,028) | (93) | (1,536) | (93) |
| | (1,409) | 1,654 | 395 | 1,694 |
| Effective tax rate | -9% | 17% | 1% | 9% |

The Group's effective tax rate is lower than the statutory tax rate mainly due to certain subsidiaries based in Labuan have elected to be taxed at RM20,000 per entity in accordance with Section 7(1) of the Labuan Business Activity Tax Act, 1990.

During the period ended 30 June 2013, a subsidiary company has effected payment to Malaysian Motor Insurance Pool, resulting in a tax relief of RM2.7 million.

11. Earnings per share

Basic earnings per share are calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

11. Earnings per share (contd.)

The following reflect the profit and share data used in the computation of basic earnings per share:

| | Restated | | Restated | |
|---|-----------------|--------|---------------------|--------|
| | Current quarter | | Cumulative quarters | |
| | 3 months ended | | 6 months ended | |
| | 30 Jun | 30 Jun | 30 Jun | 30 Jun |
| | 2013 | 2012 | 2013 | 2012 |
| Profit net of tax attributable to owners of the parent (RM'000) | 16,305 | 6,892 | 30,200 | 13,909 |
| Weighted average number of ordinary shares in issue ('000) | 712,154 | 14,238 | 712,154 | 14,238 |
| Basic earnings per share (sen per share) | 2.29 | 48.41 | 4.24 | 97.69 |

The Company has no potential ordinary shares in issue as at 30 June 2013. As such, the fully diluted earnings per share of the Company are equivalent to the basic earnings per share.

12. Share capital and share premium

In conjunction with and as an integral part of the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad, the Company had allotted 143,374,900 new ordinary shares of RM0.10 each in the Company ("TIH Shares") pursuant to the Company's initial public offering at an issue price of RM1.35 per TIH Shares. The share premium of RM179,218,625 arising from the issuance of ordinary shares and the share issue cost of RM5,875,843 has been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

The entire issued and paid-up share capital of the Company of RM75,175,998 comprising 751,759,980 TIH Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 20 February 2013.

During the three months ended 30 June 2013, there were no movement in share capital and share premium.

13. Dividends

No interim dividend has been declared or paid for the financial period ended 30 June 2013.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

14. Capital commitments

Approved but not contracted for:
- Property and equipment

| As at 30 Jun 2013 RM'000 | As at 31 Dec 2012 RM'000 |
|-----------------------------------|-----------------------------------|
| 10,000 | 10,000 |

15. Contingencies

There were no contingent assets or liabilities as at the date of this report.

16. Related party transactions

Details of the relationship between the Group and its related parties are as described below.

| Name of company | Relationship |
|---|---------------------------------------|
| Tune Money Sdn Bhd ("TMSB") | Ultimate holding company |
| AirAsia Berhad ("AAB") | Corporate shareholder of the Company |
| Multi-Purpose Insurans Bhd ("MPIB") | Corporate shareholder of a subsidiary |
| AirAsia X Berhad ("AAX") | Related company |
| PT Indonesia AirAsia ("PTAA") | Related company |
| Thai AirAsia Co. Ltd ("TAA") | Related company |
| AirAsia Inc. ("AAI") | Related company |
| AAE Travel Pte Ltd ("AAE") | Related company |
| Think Big Digital Sdn Bhd ("TBD") | Related company |
| Tune Group.com Limited ("TGL") | Related company |
| Tune Hotels Regional Services Sdn Bhd ("THRS") | Related company |
| PT CIMB Sunlife ("Sunlife") | Related company |
| CIMB Insurance Brokers Sdn Bhd ("CIMB") | Related company |
| SP&G Insurance Brokers ("SP&G") | Related company |

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

16. Related party transactions (contd.)

The following table provides information on the transactions which have been entered into with related parties during the following period:

| | Current quarter | | Cumulative quarters | |
|------------------------------------|-----------------|----------------|---------------------|----------------|
| | 3 months ended | | 6 months ended | |
| | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| TMSB | | | | |
| Reimbursement of expenses incurred | (126) | (1,092) | (478) | (2,198) |
| AAB | | | | |
| Fee and commission expenses | (2,562) | - | (5,177) | - |
| Data management fee | (83) | - | (172) | - |
| MPIB | | | | |
| Dividend paid | - | (2,000) | - | (2,000) |
| Gross earned premiums | - | 12,208 | - | 12,208 |
| Fee and commission expenses | - | (2,194) | - | (2,194) |
| Gross claims paid | - | (681) | - | (681) |
| AAX | | | | |
| Fee and commission expenses | (555) | - | (1,004) | - |
| PTAA | | | | |
| Telemarketing commission expenses | (16) | - | (35) | - |
| Fee and commission expenses | (191) | - | (383) | - |
| TAA | | | | |
| Telemarketing commission expenses | (11) | - | (22) | - |
| Fee and commission expenses | (62) | - | (120) | - |
| AAI | | | | |
| Fee and commission expenses | (4) | - | (15) | - |
| AAE | | | | |
| Fee and commission expenses | (2) | - | (2) | - |
| TBD | | | | |
| Purchase of products | (2) | - | (2) | - |
| TGL | | | | |
| Royalty fee | (250) | - | (500) | - |

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the six-month period ended 30 June 2013

16. Related party transactions (contd.)

The following table provides information on the transactions which have been entered into with related parties during the following period: (contd.)

| | Current quarter 3 months ended | | Cumulative quarters 6 months ended | |
|-----------------------------------|-----------------------------------|----------------|---------------------------------------|----------------|
| | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| THRS | | | | |
| Data management fee | (2) | - | (7) | - |
| Sunlife | | | | |
| Telemarketing commission expenses | (32) | - | (71) | - |
| CIMB | | | | |
| Brokerage fee | (8) | - | (67) | - |
| SP&G | | | | |
| Brokerage fee | (234) | - | (477) | - |

The related party transactions described above were carried out on the terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

17. Events after the reporting period

There has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group.

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Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

For the six-month period ended 30 June 2013

18. Performance review

18.1 Current quarter ("2Q13") against corresponding quarter in prior year ("2Q12")

| | Investment holding | | General reinsurance | | Life reinsurance | | General insurance | | Adjustments and eliminations | | Consolidated | |
|------------------------------|--------------------|-------------|---------------------|-------------|------------------|-------------|-------------------|-------------|------------------------------|-------------|------------------------------------|-------------|
| | | | | | | | | | | | Cumulative quarters 3 months ended | |
| | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Operating revenue | | | | | | | | | | | | |
| External | 419 | 32 | 12,720 | 16,032 | 79 | 76 | 83,489 | 34,746 | - | - | 96,707 | 50,886 |
| Inter-segment | - | - | 10,232 | - | - | - | - | - | (10,232) | - | - | - |
| | 419 | 32 | 22,952 | 16,032 | 79 | 76 | 83,489 | 34,746 | (10,232) | - | 96,707 | 50,886 |
| Segment (loss)/profit | (1,021) | (3,659) | 12,165 | 7,877 | 113 | (595) | 5,117 | 6,385 | (460) | (77) | 15,914 | 9,931 |

Operating revenue

The Group's operating revenue increased from RM50.9 million in 2Q12 to RM96.7 million in 2Q13, contributed by an increase of RM42.3 million and RM3.5 million in gross earned premiums and investment income respectively.

Gross earned premiums ("GEP")

The increase of RM42.3 million in GEP is mainly due to consolidation of 3 months GEP of Tune Insurance Malaysia Berhad ("TIMB") in 2Q13 as compared to 1 month GEP in 2Q12, as a result of the acquisition TIMB on 23 May 2012.

The GEP (including inter-segment) of general reinsurance segment increased from RM16.0 million in 2Q12 to RM23.0 million in 2Q13 due to growth in GEP of all markets especially from Malaysia, Thailand, China, Indonesia and GEP of new markets in Vietnam and Myanmar. The number of policies has increased by 24% over that of 2012.

Investment income

The increase of RM3.5 million in investment income mainly due to consolidation of 3 months investment income of TIMB in 2Q13 as compared to 1 month in 2Q12, as a result of the acquisition of TIMB on 23 May 2012.

Profit before taxation

The Group's profit before taxation surged 61% from RM9.9 million in 2Q12 to RM15.9 million in 2Q13. The increase of RM6.0 million was mainly due to:

- (i) Increase of RM4.3 million in profit before taxation of general reinsurance in line with the growth in GEP of 43% over that of 2012 and increase in volume of policies of 24%; and
- (ii) Lower expense of investment holding, mainly due to finance costs of RM2.7 million incurred in 2Q12.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

For the six-month period ended 30 June 2013

18. Performance review (contd.)

18.2 Current year to date ("YTD 2013") against corresponding year to date ("YTD 2012")

| | Investment holding | | General reinsurance | | Life reinsurance | | General insurance | | Adjustments and eliminations | | Consolidated | |
|------------------------------|---|-------------|---------------------|-------------|------------------|-------------|-------------------|-------------|------------------------------|-------------|--------------|-------------|
| | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 | 30 Jun 2013 | 30 Jun 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| | Cumulative quarters 6 months ended | | | | | | | | | | | |
| Operating revenue | 677 | 32 | 26,284 | 32,763 | 154 | 152 | 156,338 | 34,746 | - | - | 183,453 | 67,693 |
| External | - | - | 18,950 | - | - | - | - | - | (18,950) | - | - | - |
| Inter-segment | - | 32 | 45,234 | 32,763 | 154 | 152 | 156,338 | 34,746 | (18,950) | - | 183,453 | 67,693 |
| Segment (loss)/profit | (4,938) | (4,043) | 23,450 | 16,893 | 145 | (889) | 14,744 | 6,385 | (460) | (77) | 32,941 | 18,269 |

Operating revenue

The Group recorded operating revenue of RM183.4 million for YTD 2013, a significant increase of RM115.7 million or 171%, from RM67.7 million for YTD 2012. The said increase of RM115.7 million was contributed by an increase of RM108.2 million in gross earned premiums and RM7.5 million in investment income.

Gross earned premiums ("GEP")

The increase of RM108.2 million in GEP is mainly due to consolidation of 6 months GEP of TIMB in YTD 2013 as compared to 1 month GEP in YTD 2012, as a result of the acquisition TIMB on 23 May 2012.

The increase of RM12.4 million in GEP (including inter-segment) of general reinsurance segment was mainly due to continuous growth in GEP in key markets of Malaysia, Thailand, Indonesia, China, Australia and Japan, as well as small contribution from the new markets of Vietnam and Myanmar.

Investment income

The increase of RM7.5 million in investment income mainly due to consolidation of 6 months investment income of TIMB in YTD 2013 as compared to 1 month in YTD 2012, as a result of the acquisition of TIMB on 23 May 2012.

Profit before taxation

The Group's profit before taxation jumped 80% or RM14.6 million. This was mainly due to:

- (i) Increase of RM8.3 million in general insurance segment due to better underwriting profits from non-motor class of business and release of Incurred But Not Reported ("IBNR") reserve and vigorous pursuit of Bodily Injury ("BI") claims arising from effective claims management strategies; and
- (ii) Increase of RM6.6 million in general reinsurance segment mainly attributable to the growth in GEP and lower commission ratio, slightly offset by the increase in management expense ratio due to personnel related cost and IT expenses.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

For the six-month period ended 30 June 2013

18. Performance review (contd.)

18.3 Current quarter ("2Q13") against preceding quarter in current year ("1Q13")

| | Investment holding | | General reinsurance | | Life reinsurance | | General insurance | | Adjustments and eliminations | | Consolidated | |
|------------------------------|------------------------------------|-------------|---------------------|-------------|------------------|-------------|-------------------|-------------|------------------------------|-------------|--------------|-------------|
| | 30 Jun 2013 | 31 Mac 2013 | 30 Jun 2013 | 31 Mac 2013 | 30 Jun 2013 | 31 Mac 2013 | 30 Jun 2013 | 31 Mac 2013 | 30 Jun 2013 | 31 Mac 2013 | 30 Jun 2013 | 31 Mac 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| | Cumulative quarters 3 months ended | | | | | | | | | | | |
| Operating revenue | 419 | 258 | 12,720 | 13,564 | 79 | 75 | 83,489 | 72,849 | - | - | 96,707 | 86,746 |
| External | - | - | 10,232 | 8,718 | - | - | - | - | (10,232) | (8,718) | - | - |
| Inter-segment | 419 | 258 | 22,952 | 22,282 | 79 | 75 | 83,489 | 72,849 | (10,232) | (8,718) | 96,707 | 86,746 |
| Segment (loss)/profit | (1,021) | (3,917) | 12,165 | 11,285 | 113 | 32 | 5,117 | 9,627 | (460) | - | 15,914 | 17,027 |

Operating revenue

The Group's operating revenue increased from RM86.7 million in 1Q13 to RM96.7 million in 2Q13. The increase of RM10.0 million was contributed by increase of RM9.1 million in gross earned premiums and RM0.9 million in investment income.

Gross earned premiums ("GEP")

The increase of RM9.1 million in GEP was contributed by general insurance segment, mainly due to growth in non-motor class of business.

Investment income

The increase of RM0.9 million was mainly due to higher interest income earned in general insurance segment.

Profit before taxation

There is a slight decrease of RM1.1 million in profit before taxation of the Group mainly due to higher net claims ratio and management expenses mainly from personnel related cost, administrative expenses and allowance for doubtful debts.

19. Commentary on prospects

The Group will continue to capture additional revenue by diversifying product offerings and opening new markets and improving portfolio mix of general insurance subsidiary, TIMB's insurance products and leveraging on growth in air-travel, tourism and consumer awareness of the need to purchase travel protection. The Group is expected to continue to grow profits for the financial year ending 31 December 2013 as the Group now provides travel insurance for passengers from Myanmar (with effect from May 2013 onwards) and aims to leverage on the acquisition of Zest Air by AirAsia in Philippines as well as the setting up of AirAsia India. Additionally, the Group continues its business development efforts to offer its online insurance solution to other online distributors.

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Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

For the six-month period ended 30 June 2013

20. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial year ending 31 December 2013.

21. Status of corporate proposal and utilisation of proceeds

21.1 Investment in 70% equity interest in PT. Batavia Mitratama Insurance

On 30 April 2013, the Company had entered into an Investment Agreement and Conditional Sale and Purchase Agreement to obtain 16,499 ordinary shares of Rp. 1,000,000 each or 70% of the issued and paid-up shares of PT. Batavia Mitratama Insurance ("BMI") from PT Olympindo Multi Finance, Ang Andi Bintoro, and to obtain rights to subscribe to new shares of BMI from Emmanuel Yao Mendoza, at a total collective purchase consideration of approximately Rp. 83,852,487,868 (equivalent to approximately RM26.13 million or USD8.62 million). Upon the completion of the investment in BMI, BMI shall become a subsidiary of the Company.

As at the date of this report, the Company has not subscribe any share of BMI.

21.2 Utilisation of proceeds

The entire issued and paid-up share capital of the Company of RM75,175,998 comprising 751,759,980 TIH Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 20 February 2013.

Status of utilisation of proceeds raised from IPO as at 30 June 2013 is as follows:

| Purposes | Proposed utilisation RM million | Actual utilisation RM million | Estimated timeframe for use from the listing date |
|----------------------------------|--|--|--|
| (i) Repayment of bank borrowings | 133.0 | 133.0 | Upon listing - repaid on 20 Feb 2013 |
| (ii) Working capital | 16.6 | 4.6 | Within 24 months |
| (iii) Strategic investments | 33.0 | 6.2 | Within 24 months |
| (iv) Listing expenses | 11.0 | 10.5 | Within 3 month |
| Total gross proceeds | <u>193.6</u> | <u>154.3</u> | |

21.3 Proposed disposal of properties

On 2 July 2013, a subsidiary of the Company had entered into a conditional Sale & Purchase Agreement ("SPA") with Santa Grand Hospitality Sdn Bhd ("the Purchaser") for the proposed disposal of its properties at a total cash consideration of RM12.8 million.

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Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

For the six-month period ended 30 June 2013

21. Status of corporate proposal and utilisation of proceeds (contd.)

21.3 Proposed disposal of properties (contd.)

As of the date of this report, the disposal has not been completed, as it is pending for approval of the State Authority.

21.4 Incorporation of a new subsidiary, Tune Direct Ltd ("TDL")

TDL was incorporated in Malaysia as a wholly-owned subsidiary of the Company on 26 July 2013, under the Labuan Companies Act 1990, as a private company limited by shares. TDL received the certificate of incorporation on 14 August 2013.

The issued and paid-up share capital of TDL is USD2 comprising 2 ordinary shares of USD 1 each. The principal activities of TDL are investment holding and manager of the online distribution platform. The commencement of such activities is subject to regulatory consent.

As of the date of this report, TDL has not commenced business.

22. Borrowings and debts securities

| | As at 30 Jun 2013 RM'000 | As at 31 Dec 2012 RM'000 |
|----------------|-----------------------------------|-----------------------------------|
| Current | | |
| Secured | - | 132,106 |

23. Material litigation

There were no material litigations at the date of this report.

24. Disclosure of nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

25. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2013 or the previous financial year ended 31 December 2012.

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Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

For the six-month period ended 30 June 2013

26. Risks and policies for derivatives

The Group did not enter into any derivatives during the period ended 30 June 2013 or the previous financial year ended 31 December 2012.

27. Disclosures of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measures at fair value through profit or loss as at 30 June 2013 and 31 December 2012.

28. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group as at 30 June 2013 and 31 December 2012 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | <u>As at</u> <u>30 Jun</u> <u>2013</u> <u>RM'000</u> | <u>As at</u> <u>31 Dec</u> <u>2012</u> <u>RM'000</u> |
|--|---|---|
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised | 150,508 | 118,145 |
| - Unrealised | 952 | 423 |
| | <u>151,460</u> | <u>118,568</u> |
| Less: Consolidation adjustments | <u>(60,416)</u> | <u>(57,724)</u> |
| Total retained earnings as per statement of financial position | <u>91,044</u> | <u>60,844</u> |

29. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

By order of the Board

Jasmindar Kaur A/P Sarban Singh
Company Secretary
26 August 2013