



Tune Ins Holdings Berhad (948454-K)

Interim Financial Statements

For the Quarter and Three Months Ended 31 March 2014

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of financial position As at 31 March 2014

	As at 31 Mac 2014 Unaudited RM'000	As at 31 Dec 2013 Audited RM'000
Assets		
Property and equipment	6,036	5,348
Investment property	2,901	2,906
Intangible assets	5,246	5,416
Goodwill	24,165	24,165
Investments	543,839	534,571
Reinsurance assets	226,751	246,410
Insurance receivables	122,500	87,360
Other receivables	79,427	84,364
Cash and bank balances	48,504	24,063
Assets held for sale	-	8,580
Total assets	1,059,369	1,023,183
Equity		
Share capital	75,176	75,176
Share premium	173,343	173,343
Merger deficit	(13,838)	(13,838)
Available-for-sale reserves	(3,841)	(3,296)
Retained earnings	148,334	129,087
Equity attributable to owners of the parent	379,174	360,472
Non-controlling interests	38,173	37,133
Total equity	417,347	397,605
Liabilities		
Insurance contract liabilities	498,378	503,636
Deferred tax liabilities	1,083	1,851
Provision for taxation	498	498
Insurance payables	94,485	67,418
Retirement benefits	842	945
Other payables	46,736	51,230
Total liabilities	642,022	625,578
Total equity and liabilities	1,059,369	1,023,183
Net assets per ordinary share attributable to owners of the parent (RM)	0.50	0.48

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of comprehensive income For the period ended 31 March 2014

	Note	Current quarter	
		3 months ended	
		31 Mar 2014	31 Mar 2013
		RM'000	RM'000
Operating revenue		113,952	86,746
Gross earned premiums		109,917	82,488
Premiums ceded to reinsurers		(45,730)	(30,186)
Net earned premiums		64,187	52,302
Investment income	7	4,035	4,258
Realised gains and losses		5,050	3,490
Fair value gains and losses		201	-
Fees and commission income		8,051	7,590
Other operating income		1,108	131
Other revenue		18,445	15,469
Gross claims paid		(48,604)	(35,139)
Claims ceded to reinsurers		27,238	7,506
Gross changes to contract liabilities		17,047	(4,822)
Change in contract liabilities ceded to reinsurers		(21,999)	10,588
Net claims		(26,318)	(21,867)
Fee and commission expenses		(18,115)	(14,496)
Management expenses		(16,055)	(11,581)
Other operating expenses		-	(897)
Finance costs		-	(1,903)
Other expenses		(34,170)	(28,877)
Profit before taxation	8	22,144	17,027
Taxation	9	(1,748)	(1,804)
Net profit for the period		20,396	15,223
Other comprehensive (loss)/income:			
<u>Movements in available-for-sale fair value reserves:</u>			
(Loss)/Gain on fair value changes of AFS investments		(119)	85
Realised gain transferred to profit or loss		(753)	(3,484)
Deferred tax relating to components of other comprehensive income		218	850
Net other comprehensive loss for the period		(654)	(2,549)
Total comprehensive income for the period		19,742	12,674
Profit attributable to:			
Owners of the parent		19,247	13,894
Non-controlling interests		1,149	1,329
		20,396	15,223

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**Condensed consolidated statement of comprehensive income (contd.)
For the period ended 31 March 2014**

	Current quarter	
	3 months ended	
	31 Mac	31 Mac
	2014	2013
Note	RM'000	RM'000
Total comprehensive income attributable to:		
Owners of the parent	18,702	11,772
Non-controlling interests	1,040	902
	19,742	12,674
Basic earnings per share attributable to owners of the parent (sen per share)		
	10	2.07

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of changes in equity For the period ended 31 March 2014

	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 2014	75,176	173,343	(13,838)	(3,296)	129,087	360,472	37,133	397,605
Net profit for the period	-	-	-	-	19,247	19,247	1,149	20,396
Other comprehensive loss for the period	-	-	-	(545)	-	(545)	(109)	(654)
Total comprehensive income for the period	-	-	-	(545)	19,247	18,702	1,040	19,742
At 31 March 2014	75,176	173,343	(13,838)	(3,841)	148,334	379,174	38,173	417,347
At 1 January 2013	60,838	-	(13,838)	(455)	61,178	107,723	32,052	139,775
Net profit for the period	-	-	-	-	13,894	13,894	1,329	15,223
Other comprehensive loss for the period	-	-	-	(2,122)	-	(2,122)	(427)	(2,549)
Total comprehensive income for the period	-	-	-	(2,122)	13,894	11,772	902	12,674
Issuance of ordinary shares during the period	14,338	179,219	-	-	-	193,557	-	193,557
Share issuance expense	-	(5,893)	-	-	-	(5,893)	-	(5,893)
At 31 March 2013	75,176	173,326	(13,838)	(2,577)	75,072	307,159	32,954	340,113

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of cash flows For the period ended 31 March 2014

	Cumulative quarters 3 months ended	
	31 Mac 2014	31 Mac 2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	22,144	17,027
Adjustments for:		
Non-cash items	(3,102)	321
Non-operating activities items	59,337	4,989
Operating profit before working capital changes:	78,379	22,337
Net change in operating assets	(11,876)	(51,157)
Net change in operating liabilities	17,365	49,310
Cash generated from operating activities	83,868	20,490
Net interest received	4,100	3,225
Net dividend received	182	110
Rental received	88	87
Retirement benefits paid	(103)	-
Income tax paid	(2,231)	(1,861)
Net cash generated from operating activities	85,904	22,051
Cash flows from investing activities		
Proceeds from disposal of property and equipment	12,798	5
Purchase of property and equipment	(796)	(77)
Purchase of intangible assets	(163)	(3)
Net cash generated from/(used in) investing activities	11,839	(75)
Cash flows from financing activities		
Repayment of borrowings	-	(132,106)
Interest paid	-	(1,903)
Proceeds from issuance of ordinary shares	-	187,664
Advances from former ultimate holding company	-	538
Net cash generated from financing activities	-	54,193
Net increase in cash and cash equivalents	97,743	76,169
Cash and cash equivalents at beginning of period	290,229	139,182
Cash and cash equivalents at end of period	387,972	215,351
Cash and cash equivalents comprise:		
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions	339,468	187,470
Cash and bank balances	48,504	27,881
	387,972	215,351

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2014

1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 31 March 2014, 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 2013.

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 2013.

2. Changes in accounting policies

2.1 Adoption of Amendments to MFRSs and IC Interpretations

The Group adopted the following Amendments to MFRSs and IC Interpretations which are applicable to its financial statements effective for annual 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
- Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 Levies

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

2.2 Standards issued but not yet effective

At the date of authorisation of the condensed report, the following Standards were issued but not yet effective and have not been adopted by the Group:

Description	Effective for annual period beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2014

2. Changes in accounting policies (contd.)

2.2 Standards issued but not yet effective (contd.)

Description	Effective for annual period beginning on or after
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon the initial application, other than for MFRS 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 Financial Instruments when the full standard is issued.

3. Change in estimates

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

4. Changes in composition of the Group

4.1 Striking off of a dormant subsidiary, Capital OCA Berhad ("Capital OCA")

Capital OCA, a dormant wholly-owned subsidiary of Tune Insurance Malaysia Berhad, which in turn is a subsidiary of the Company, has been struck off and deemed dissolved following the publication of the notice of striking off company name pursuant to Section 308(4) of the Companies Act, 1965 in the Gazette on 30 October 2013.

The notice of striking off company name pursuant to Section 308(4) of the Companies Act, 1965 issued by the Companies Commission of Malaysia was received at the Registered Office of the Company on 27 February 2014.

4.2 Joint venture with Cozmo Travel LLC

On 20 January 2014, the Company has entered into Joint Venture Agreement ("JV") with Cozmo Travel LLC for the provision of travel insurance as well as customised travel solutions for independent and corporate travellers. The JV shall operate through a joint venture company ("JV company").

On 12 March 2014, the JV company has been registered with the Department of Economic Development of Dubai, United Arab Emirates, under the name of Tune Protect Commercial Brokerage LLC ("Tune Protect"), a limited liability company with authorised and paid-up share capital of AED1,000,000 (approximately USD273,000) comprising 1,000 shares of AED1,000 each. The Company and Cozmo Travel LLC has subscribed for 49% and 51% of Tune Protect shares respectively.

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**Explanatory Notes Pursuant to MFRS 134
For the period ended 31 March 2014**

4. Changes in composition of the Group (contd.)

4.2 Joint venture with Cozmo Travel LLC (contd.)

On 14 April 2014, the Company has made a payment of AED490,000 to subscribe the shares of Tune Protect.

4.3 Investment in Osotspa Insurance Public Company Limited

On 2 May 2014, the Company has completed the Share Purchase and Sale Agreements to acquire 49% of the issued and paid up share capital of Osotspa Insurance Public Company Limited and Permpoonsub Broker Company Limited at a purchase consideration of THB408,653,974 (equivalent to approximately RM41.2 million or USD 12.6 million).

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2014

5. Segment information

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

Investment holding and others	:	Investment holding operations and other dormant subsidiaries
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 and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 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
Operating revenue												
External	681 ¹	258	15,827 ²	13,564	84 ³	75	97,360 ⁴	72,849	-	-	113,952 ⁵	86,746
Inter-segment		-	11,759	8,718		-		-	(11,759)	(8,718)	-	-
	<u>681</u>	<u>258</u>	<u>27,586</u>	<u>22,282</u>	<u>84</u>	<u>75</u>	<u>97,360</u>	<u>72,849</u>	<u>(11,759)</u>	<u>(8,718)</u>	<u>113,952</u>	<u>86,746</u>
Segment profit/(loss)	<u>(1,251)</u>	<u>(3,917)</u>	<u>14,867</u>	<u>11,285</u>	<u>(10)</u>	<u>32</u>	<u>8,768</u>	<u>9,627</u>	<u>(230)</u>	<u>-</u>	<u>22,144⁵</u>	<u>17,027</u>
Segment assets	<u>299,319</u>	<u>272,330</u>	<u>86,062</u>	<u>55,759</u>	<u>11,780</u>	<u>11,268</u>	<u>857,634</u>	<u>773,619</u>	<u>(195,427)</u>	<u>(181,206)</u>	<u>1,059,369</u>	<u>931,770</u>
Segment liabilities	<u>3,918</u>	<u>2,960</u>	<u>23,906</u>	<u>19,605</u>	<u>1,187</u>	<u>923</u>	<u>638,369</u>	<u>579,440</u>	<u>(25,359)</u>	<u>(11,271)</u>	<u>642,022</u>	<u>591,657</u>

¹ investment income of RM681k

² included investment income of RM395k

³ investment income of RM84k

⁴ included investment income of RM3.1 million

⁵ included investment income of RM4.3 million

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2014

6. Seasonality of operations

The Group is subject to seasonal fluctuation in the general reinsurance business. Within an annual cycle, quarter 4 should typically be the best for TIH travel business as this will coincide with peak holiday demand as well as benefit from additions to the airlines fleet occurring during the year.

7. Investment income

	Current quarter 3 months ended	
	31 Mar 2014	31 Mar 2013
	RM'000	RM'000
Rental income from investment property	88	87
Interest income:		
- available-for-sale financial assets	1,305	-
- loan and receivables	1,769	3,973
- held for trading investments	711	-
Dividend income:		
- available-for-sale financial assets	179	110
	4,052	4,170
Net amortisation discount on investments	(17)	88
	4,035	4,258

8. Profit before taxation after charging/(crediting) the following:

	Current quarter 3 months ended	
	31 Mar 2014	31 Mar 2013
	RM'000	RM'000
Finance costs	-	1,903
Depreciation of property and equipment	188	182
Depreciation of investment property	7	5
Amortisation of intangible assets	334	222
Allowance for impairment losses of insurance receivables	650	5
Realised gain on disposal of property and equipment	(4,297)	(5)
Realised gain on disposal of available-for-sale investments	(753)	(3,485)
Fair value gain on financial assets carried at fair value through profit & loss	(201)	-

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2014

8. Profit before taxation after charging/(crediting) the following: (contd.)

	Current quarter 3 months ended	
	31 Mar 2014	31 Mar 2013
	RM'000	RM'000
(Gain)/loss on foreign exchange- realised	(94)	64
(Gain)/loss on foreign exchange- unrealised	(251)	1
Listing expenses	-	897

9. Taxation

	Current quarter 3 months ended	
	31 Mar 2014	31 Mar 2013
	RM'000	RM'000
Income tax expense	2,298	2,312
Deferred tax benefit	(550)	(508)
	1,748	1,804
Effective tax rate	8%	11%

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.

10. 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.

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

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2014

10. Earnings per share (contd.)

	Current quarter 3 months ended	
	31 Mar 2014	31 Mar 2013
Profit net of tax attributable to owners of the parent (RM'000)	19,247	13,894
Weighted average number of ordinary shares in issue ('000)	751,760	672,107
Basic earnings per share (sen per share)	2.56	2.07

The Company has no potential ordinary shares in issue as at 31 March 2014. As such, the fully diluted earnings per share of the Company are equivalent to the basic earnings per share.

11. Share capital and share premium

During the three months ended 31 March 2014, there were no movement in share capital and share premium.

12. Dividends

During the three months ended 31 March 2014, the Company has declared a final single tier dividend in respect of the financial year ended 31 December 2013 of 3.86 sen per ordinary share of RM0.10 each on 751,759,980 ordinary shares, amounting to RM29,017,935, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

13. Capital commitments

	As at 31 Mar 2014 RM'000	As at 31 Dec 2013 RM'000
Approved and contracted for: - Property and equipment	876	938
Approved but not contracted for: - Property and equipment	4,608	6,280
	5,484	7,218

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2014

14. Contingencies

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

15. Related party transactions

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

Name of company	Relationship
AirAsia Berhad ("AAB")	Corporate shareholder of the Company
AirAsia X Berhad ("AAX")	Related company
AirAsia Inc. ("AAI")	Related company
AAE Travel Pte Ltd ("AAE")	Related company
PT CIMB Sunlife ("CSL")	Related company
PT Indonesia AirAsia ("PTAA")	Related company
SP&G Insurance Brokers ("SP&G")	Related company
Thai AirAsia Co. Ltd ("TAA")	Related company
Tune Group.com Limited ("TGL")	Related company
Tune Hotels Regional Services Sdn Bhd ("THRS")	Related company
Tune Money Sdn Bhd ("TMSB")	Ceased to be the ultimate holding company with effect from 30 September 2013
Tune Talk Sdn Bhd ("TTSB")	Related company
Tune Group Sdn Bhd ("TGSB")	Related company

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

	Current quarter 3 months ended	
	31 Mar 2014	31 Mar 2013
	RM'000	RM'000
TMSB		
Reimbursement of expenses incurred	(1)	(352)
AAB		
Fee and commission expenses	(2,764)	(2,615)
Data management fee	(57)	(89)
AAX		
Fee and commission expenses	(788)	(449)

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2014

15. 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	
	31 Mar	31 Mar
	2014	2013
	RM'000	RM'000
PTAA		
Telemarketing commission expenses	(10)	-
Fee and commission expenses	(227)	-
TAA		
Telemarketing commission expenses	(21)	-
Fee and commission expenses	(50)	-
AAI		
Fee and commission expenses	(40)	-
AAE		
Fee and commission expenses	(1)	-
TGL		
Royalty fee	-	(250)
TGSB		
Royalty fee	(1,000)	-
THRS		
Data management fee	(1)	(5)
CSL		
Telemarketing commission expenses	(20)	-
SP&G		
Brokerage fee	(1,029)	-
TTSB		
Gross written premium	259	-

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

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2014

16. 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 period ended 31 March 2014

17. Performance review

17.1 Current quarter ("1Q14") against corresponding quarter in prior year ("1Q13")

	Investment holding and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 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
	Current quarter 3 months ended											
Operating revenue												
External	681	258	15,827	13,564	84	75	97,360	72,849	-	-	113,952	86,746
Inter-segment	-	-	11,759	8,718	-	-	-	-	(11,759)	(8,718)	-	-
	681	258	27,586	22,282	84	75	97,360	72,849	(11,759)	(8,718)	113,952	86,746
Segment (loss)/profit	(1,251)	(3,917)	14,867	11,285	(10)	32	8,768	9,627	(230)	-	22,144	17,027

Operating revenue (gross earned premiums + investment income)

The Group's operating revenue increased from RM86.7 million in 1Q13 to RM113.9 million in 1Q14, contributed by an increase of RM27.4 million in gross earned premiums ("GEP"), net off by a decrease of RM0.2 million in investment income.

The growth in general insurance has contributed to an increase of RM25.4 million in GEP, mainly contributed by increase in GEP of medical, marine and fire classes of businesses.

The GEP (including inter-segment) of general reinsurance segment increased from RM22.2 million in 1Q13 to RM27.2 million in 1Q14 due to growth in GEP of all markets especially from Malaysia, China, Thailand and Philippines. The number of policies earned has increased by 15% over that of 2013.

Profit before taxation

There was an increase of 30% in Group's profit before taxation, from RM17.0 million in 1Q13 to RM22.1 million in 1Q14. The increase of RM5.1 million was mainly due to:

- (i) Increase of RM3.6 million in profit before taxation of general reinsurance in line with the growth in GEP of 23% over that of 1Q13 and increase in volume of policies of 15%; and
- (ii) Lower expense of investment holding, mainly due to finance costs of RM1.9 million and listing expenses of RM0.9 million in 1Q13.

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

For the period ended 31 March 2014

17. Performance review

17.3 Current quarter ("1Q14") against preceding quarter in prior year ("4Q13")

	Investment holding and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 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
	Current quarter 3 months ended											
Operating revenue	681	471	15,827	16,894	84	77	97,360	88,426	-	-	113,952	105,868
External	-	-	11,759	13,598	-	-	-	-	(11,759)	(13,598)	-	-
Inter-segment	681	471	27,586	30,492	84	77	97,360	83,145	(11,759)	(31,406)	113,952	105,868
Segment (loss)/profit	(1,251)	(1,590)	14,867	16,406	(10)	123	8,768	7,506	(230)	792	22,144	23,237

Operating revenue

The Group's operating revenue increased from RM105.9 million in 4Q13 to RM113.9 million in 1Q14. The increase of RM8.0 million was contributed by increase of RM10.8 million in gross earned premiums, net off by decrease of RM2.8 million in investment income.

Gross earned premiums ("GEP")

The increase of RM10.8 million in GEP was mainly contributed by general insurance segment for the growth in GEP of medical and fire classes of businesses, net off by decrease in GEP of marine and motor classes of businesses.

Investment income

The decrease of RM2.8 million was mainly due to higher interest income earned in general insurance segment in 4Q13 as compared to 1Q14.

Profit before taxation

There was a decrease of RM1.1 million in profit before taxation due to higher combined ratio in general reinsurance segments in 1Q14 for higher net claims and net commissions.

18. Commentary on prospects

The group will continue to pursue the strategies outlined at the time of its Initial Public Offering in particular leveraging the continued growth of AirAsia whilst continuing to pursue other travel related partnerships; ownership stakes in general insurance companies in Asia in particular Indonesia and Thailand; the implementation and roll out of its e-commerce platform and the continued optimization and growth of its general insurance subsidiary TIMB. The Group is expected to continue to grow its profits for the financial year ending December 2014.

Tune Ins Holdings Berhad (948454-K)

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

For the period ended 31 March 2014

19. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial year ending 31 December 2014.

20. Status of corporate proposal and utilisation of proceeds

20.1 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 ("the Agreements") 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.

On 9 September 2013, BMI has submitted a formal application to Otoritas Jasa Keuangan ("OJK"), the Financial Service Authority of the Republic of Indonesia for the Company to acquire a 70% equity interest in BMI.

On 31 December 2013, all parties have agreed to terminate the Agreements due to time taken and no substantial progress on the approval obtained from OJK. Upon the termination of the Agreements, the Company will be refunded with the deposit of IDR 18.0 billion (equivalent to RM4.9 million) and the termination will have no material financial effect on the Company.

On 18 February 2014, the deposit of IDR 18.0 billion has been fully refunded to the Company.

20.2 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.

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For the period ended 31 March 2014

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

20.2 Utilisation of proceeds (cont'd.)

Status of utilisation of proceeds raised from IPO as at 31 March 2014 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	10.2	Within 24 months
(iii) Strategic investments	33.0	0.5	Within 24 months
(iv) Listing expenses	11.0	10.3	Within 3 months
Total gross proceeds	<u>193.6</u>	<u>154.0</u>	

On 2 May 2014, the Company has completed the Share Purchase and Sale Agreements to acquire 49% of the issued and paid up share capital of Osotspa Insurance Public Company Limited and Permpoonsub Broker Company Limited at a purchase consideration of THB408,653,974 (equivalent to approximately RM41.2 million or USD 12.6 million).

20.3 Proposed disposal of properties

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

The approval has been received from the State Authority on 31 October 2013. The disposal was completed on 29 January 2014. The Company will continue to occupy the disposed properties on a rent back basis from Santa Grand up to 29 April 2014.

On 28 April 2014, the Company has moved to its new office located at Level 9, Wisma Tune, No. 19, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur.

21. Material litigation

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

22. Disclosure of nature of outstanding derivatives

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

Tune Ins Holdings Berhad (948454-K)

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For the period ended 31 March 2014

23. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 31 March 2014 or the previous year ended 31 December 2013.

24. Risks and policies for derivatives

The Group did not enter into any derivatives during the period ended 31 March 2014 or the previous year ended 31 December 2013.

25. 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 31 March 2014 and 31 December 2013.

26. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group as at 31 March 2014 and 31 December 2013 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>31 Mar</u> <u>2014</u> <u>RM'000</u>	<u>As at</u> <u>31 Dec</u> <u>2013</u> <u>RM'000</u>
Total retained earnings of the Company and its subsidiaries:		
- Realised	212,372	192,073
- Unrealised	<u>(1,071)</u>	<u>(1,915)</u>
	211,301	190,158
Less: Consolidation adjustments	<u>(62,967)</u>	<u>(61,071)</u>
Total retained earnings as per statement of financial position	<u>148,334</u>	<u>129,087</u>

Tune Ins Holdings Berhad (948454-K)

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

For the period ended 31 March 2014

27. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

By order of the Board

Jasmindar Kaur A/P Sarban Singh
Company Secretary