



Tune Ins Holdings Berhad (948454-K)

Interim Financial Statements

For the Quarter and Six Months Ended 30 June 2014

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of financial position As at 30 June 2014

	As at 30 June 2014 Unaudited RM'000	As at 31 Dec 2013 Audited RM'000
Assets		
Property and equipment	7,843	5,348
Investment property	2,893	2,906
Intangible assets	5,977	5,416
Investment in associates	41,935	-
Investment in a joint venture company	403	-
Goodwill	24,165	24,165
Investments	514,785	534,571
Reinsurance assets	234,063	246,410
Insurance receivables	96,494	87,360
Other receivables	83,661	84,364
Cash and bank balances	33,215	24,063
Assets held for sale	-	8,580
Total assets	1,045,434	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	(3,453)	(3,296)
Retained earnings	133,662	129,087
Equity attributable to owners of the parent	364,890	360,472
Non-controlling interests	36,286	37,133
Total equity	401,176	397,605
Liabilities		
Insurance contract liabilities	508,463	503,636
Deferred tax liabilities	1,493	1,851
Provision for taxation	67	498
Insurance payables	79,966	67,418
Retirement benefits	811	945
Other payables	53,458	51,230
Total liabilities	644,258	625,578
Total equity and liabilities	1,045,434	1,023,183
Net assets per ordinary share attributable to owners of the parent (RM)	0.49	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 30 June 2014

	Note	Current quarter		Cumulative quarters	
		3 months ended		6 months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
		RM'000	RM'000	RM'000	RM'000
Operating revenue		101,510	96,707	215,462	183,453
Gross earned premiums		95,768	91,562	205,685	174,050
Premiums ceded to reinsurers		(35,250)	(30,011)	(80,980)	(60,197)
Net earned premiums		60,518	61,551	124,705	113,853
Investment income	7	5,742	5,145	9,777	9,403
Realised gains and losses	8	(80)	198	4,970	3,688
Fair value gains and losses	8	97	-	298	-
Fees and commission income		7,332	6,635	15,383	14,225
Other operating income		59	173	1,167	305
Other revenue		13,150	12,151	31,595	27,621
Gross claims paid		(34,454)	(45,387)	(83,058)	(80,526)
Claims ceded to reinsurers		13,865	12,843	41,103	20,349
Gross changes to contract liabilities		(2,390)	(1,289)	14,657	(6,111)
Change in contract liabilities ceded to reinsurers		(1,482)	6,502	(23,481)	17,090
Net claims		(24,461)	(27,331)	(50,779)	(49,198)
Fee and commission expenses		(16,980)	(14,986)	(35,095)	(29,482)
Management expenses		(16,679)	(15,471)	(32,734)	(27,053)
Other operating expenses		(143)	-	(143)	(897)
Finance costs		-	-	-	(1,903)
Other expenses		(33,802)	(30,457)	(67,972)	(59,335)
Share of results of a joint venture company		(30)	-	(30)	-
Share of results of associates		339	-	339	-
Profit before taxation	8	15,714	15,914	37,858	32,941
Taxation	9	(1,083)	1,409	(2,831)	(395)
Net profit for the period		14,631	17,323	35,027	32,546

Tune Ins Holdings Berhad (948454-K)

**Condensed consolidated statement of comprehensive income (contd.)
For the period ended 30 June 2014**

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive (loss)/income:				
<u>Movements in available-for-sale fair value reserves:</u>				
Gain on fair value changes of AFS investments	267	17	148	102
Realised gain transferred to profit or loss	(106)	(185)	(860)	(3,669)
Share of other comprehensive income of associates	363	-	363	-
Deferred tax relating to components of other comprehensive income	(130)	42	88	892
Net other comprehensive income/(loss) for the period	394	(126)	(261)	(2,675)
Total comprehensive income for the period	15,025	17,197	34,766	29,871
Profit attributable to:				
Owners of the parent	14,346	16,305	33,593	30,200
Non-controlling interests	285	1,018	1,434	2,346
	14,631	17,323	35,027	32,546
Total comprehensive income attributable to:				
Owners of the parent	14,735	16,200	33,436	27,973
Non-controlling interests	290	997	1,330	1,898
	15,025	17,197	34,766	29,871
Earnings per share attributable to owners of the parent (sen per share):				
Basic	10	1.91	2.29	4.47
Diluted	10	1.90	2.29	4.46

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 30 June 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	-	-	-	-	33,593	33,593	1,434	35,027	
Other comprehensive loss for the period	-	-	-	(157)	-	(157)	(104)	(261)	
Total comprehensive income for the period	-	-	-	(157)	33,593	33,436	1,330	34,766	
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,177)	(2,177)	
Dividends on ordinary shares	-	-	-	-	(29,018)	(29,018)	-	(29,018)	
At 30 June 2014	75,176	173,343	(13,838)	(3,453)	133,662	364,890	36,286	401,176	
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	
At 1 January 2013 (as restated)	60,838	-	(13,838)	(455)	60,844	107,389	33,120	140,509	
Net profit for the period	-	-	-	-	30,200	30,200	2,346	32,546	
Other comprehensive loss for the period	-	-	-	(2,227)	-	(2,227)	(448)	(2,675)	
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	

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 30 June 2014

	Cumulative quarters	
	6 months ended	
	30 June 2014	30 Jun 2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	37,858	32,941
Adjustments for:		
Non-cash items	(1,785)	2,922
Non-operating activities items	(21,449)	13,358
Operating profit before working capital changes:	14,624	49,221
Net change in operating assets	9,524	(60,460)
Net change in operating liabilities	1,339	38,719
Cash generated from operating activities	25,487	27,480
Net interest received	19,071	8,797
Net dividend received	2,275	150
Rental received	173	173
Retirement benefits paid	(134)	(270)
Income tax paid	(4,811)	(1,891)
Net cash generated from operating activities	42,061	34,439
Cash flows from investing activities		
Proceeds from disposal of property and equipment	12,800	19
Purchase of property and equipment	(3,223)	(378)
Purchase of intangible assets	(1,372)	(3)
Net cash outflow on investment a in joint venture	(433)	-
Net cash outflow on investment in associates	(41,233)	-
Net cash used in investing activities	(33,461)	(362)
Cash flows from financing activities		
Repayment of borrowings	-	(132,106)
Interest paid	-	(1,903)
Dividend paid	(29,018)	-
Proceeds from issuance of ordinary shares	-	187,681
Advances from former ultimate holding company	-	782
Net cash (used in)/generated from financing activities	(29,018)	54,454
Net (decrease)/increase in cash and cash equivalents	(20,418)	88,531
Cash and cash equivalents at beginning of period	290,229	139,182
Cash and cash equivalents at end of period	269,811	227,713
Cash and cash equivalents comprise:		
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions	236,596	207,824
Cash and bank balances	33,215	19,889
	269,811	227,713

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 30 June 2014

1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 30 June 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 14: Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operation	1 January 2016

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 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
Amendments to MFRS 116 and MFRS 138: Classification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
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
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 deem 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 entered into a 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 is to operate through a joint venture company ("JV company").

Tune Ins Holdings Berhad (948454-K)

**Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2014**

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

4.2 Joint venture with Cozmo Travel LLC (contd.)

On 12 March 2014, a JV company was 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 subscribed for 49% and 51% of Tune Protect shares respectively.

On 14 April 2014, the Company made a payment of AED490,000 for its 49% equity interest in Tune Protect.

4.3 Investment in Tune Insurance Public Company Limited (formerly known as Osotspa Insurance Public Company Limited) and Permpoonsub Broker Company Limited

On 2 May 2014, the Company completed the Share Purchase and Sale Agreements to acquire 49% of the issued and paid up share capital of Tune 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).

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 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, other subsidiaries and wholesale funds
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	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 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	4,456 ¹	677	30,072 ²	26,284	188 ¹	154	183,753 ³	156,338	(3,007)	-	215,462 ⁴	183,453
Inter-segment	10,826	-	24,529	18,950	-	-	-	-	(35,355)	(18,950)	-	-
	<u>15,282</u>	<u>677</u>	<u>54,601</u>	<u>45,234</u>	<u>188</u>	<u>154</u>	<u>183,753</u>	<u>156,338</u>	<u>(38,362)</u>	<u>(18,950)</u>	<u>215,462</u>	<u>183,453</u>
Segment profit/(loss)	<u>11,354</u>	<u>(4,938)</u>	<u>28,566</u>	<u>23,450</u>	<u>(19)</u>	<u>145</u>	<u>11,881</u>	<u>14,744</u>	<u>(13,924)</u>	<u>(460)</u>	<u>37,858</u>	<u>32,941</u>
	Investment holding and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013	30 June 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
Segment assets	<u>566,474</u>	<u>299,488</u>	<u>97,458</u>	<u>93,051</u>	<u>11,837</u>	<u>11,361</u>	<u>852,283</u>	<u>829,983</u>	<u>(482,618)</u>	<u>(210,700)</u>	<u>1,045,434</u>	<u>1,023,183</u>
Segment liabilities	<u>2,828</u>	<u>2,865</u>	<u>21,613</u>	<u>45,690</u>	<u>1,247</u>	<u>745</u>	<u>643,633</u>	<u>617,134</u>	<u>(25,063)</u>	<u>(40,856)</u>	<u>644,258</u>	<u>625,578</u>

¹ Investment income only

² included investment income of RM0.9 million

³ included investment income of RM7.3 million

⁴ included investment income of RM9.8 million

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 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		Cumulative quarters 6 months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Rental income from investment property	85	86	173	173
Interest income:				
- available-for-sale financial assets	1,031	1,550	2,336	3,096
- loan and receivables	3,887	2,679	6,367	5,021
- held for trading investments	-	812	-	897
Dividend income:				
- available-for-sale financial assets	756	40	935	150
	5,759	5,167	9,811	9,337
Net (amortisation of premiums)/accretion of discounts on investments	(17)	(22)	(34)	66
	5,742	5,145	9,777	9,403

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Finance costs	-	-	-	1,903
Depreciation of property and equipment	429	276	617	458
Depreciation of investment property	6	8	13	13
Amortisation of intangible assets	431	444	765	444
(Reversal of)/allowance for impairment losses of insurance receivables	(339)	288	311	293
Realised loss/(gain) on disposal of property and equipment	186	(14)	(4,111)	(19)
Realised gain on disposal of available-for-sale investments	(106)	(184)	(859)	(3,669)
Realised gains and losses	80	(198)	(4,970)	(3,688)

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2014

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Fair value gain on financial assets carried at fair value through profit & loss	(97)	-	(298)	-
Loss on foreign exchange- realised	98	151	4	215
Loss/(gain) on foreign exchange - unrealised	812	(105)	561	(104)
Listing expenses	-	-	-	897

9. Taxation

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Income tax expense/(benefit)	1,142	(381)	3,440	1,931
Deferred tax benefit	(59)	(1,028)	(609)	(1,536)
	1,083	(1,409)	2,831	395
Effective tax rate	7%	-9%	7%	1%

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 of the Company had effected payment to Malaysia Motor Insurance Pool, resulting in a tax relief of RM2.7 million.

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.

Diluted 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, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2014

10. Earnings per share (contd.)

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

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
Profit net of tax attributable to owners of the parent (RM'000)	14,346	16,305	33,593	30,200
Weighted average number of ordinary shares in issue ('000)	751,760	712,154	751,760	712,154
Effects of dilution- Employees' Share Option Scheme ('000)	2,807	-	1,027	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	754,567	712,154	752,787	712,154
Basic earnings per share (sen per share)	1.91	2.29	4.47	4.24
Diluted earnings per share (sen per share)	1.90	2.29	4.46	4.24

11. Share capital and share premium

During the financial period ended 30 June 2014, there were no movement in share capital and share premium.

12. Dividends

The final single tier dividend of 3.86 sen per ordinary share of RM0.10 each on 751,759,980 ordinary shares, amounting to RM29,017,935 was approved by shareholders on 6 June 2014 and was paid on 4 July 2014.

No interim dividend has been declared for the financial period ended 30 June 2014.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2014

13. Capital commitments

	<u>As at 30 June 2014 RM'000</u>	<u>As at 31 Dec 2013 RM'000</u>
Approved and contracted for:		
- Property and equipment	-	938
Approved but not contracted for:		
- Property and equipment	5,307	6,280
	<u>5,307</u>	<u>7,218</u>

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
Zest Airways Inc ("ZEST")	Related company

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 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:

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
TMSB				
Reimbursement of expenses incurred	-	(126)	(1)	(478)
AAB				
Fee and commission expenses	(2,931)	(2,562)	(5,695)	(5,177)
Data management fee	(51)	(83)	(108)	(172)
AAX				
Fee and commission expenses	(718)	(555)	(1,506)	(1,004)
PTAA				
Telemarketing commission expenses	(8)	(16)	(18)	(35)
Fee and commission expenses	(213)	(191)	(440)	(383)
TAA				
Telemarketing commission expenses	(23)	(11)	(44)	(22)
Fee and commission expenses	(73)	(62)	(123)	(120)
AAI				
Fee and commission expenses	-	(4)	(40)	(15)
AAE				
Fee and commission expenses	(2)	(2)	(3)	(2)
TBD				
Purchase of products	-	(2)	-	(2)
TGL				
Royalty fee	-	(250)	-	(500)
TGSB				
Royalty fee	-	-	(1,000)	-

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 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		Cumulative quarters	
	3 months ended		6 months ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
THRS				
Data management fee	(1)	(2)	(2)	(7)
CSL				
Telemarketing commission expenses	(17)	(32)	(37)	(71)
SP&G				
Brokerage fee	(277)	(234)	(1,306)	(477)
TTSB				
Gross written premium	262	332	521	656
ZEST				
Fee and commission expenses	(39)	-	(84)	-

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

16. Events after the reporting period

Memorandum of Understanding ("MOU") with AI Hai LLC

On 4 August 2014, the company had entered into a MOU with AI Hai LLC ("Alhai") (the company and Alhai collectively referred to as "the Parties") to explore and create a new limited liability structure joint venture company ("JV company") to conduct insurance related business under the proposed trade name of Tune Alhai LLC or any other trade name that is approved by the regulators to enable the JV company to directly and indirectly underwrite travel insurance and other related businesses.

Tune Ins Holdings Berhad (948454-K)

**Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2014**

16. Events after the reporting period (contd.)

Memorandum of Understanding ("MOU") with AI Hai LLC (contd.)

The Parties shall continue discussions and negotiations in good faith to finalise and execute the definitive agreements (hereinafter referred to as "the Definitive Agreements") in order to enable the proposed JV company to be duly set up to start its business within 1 month from the date of the MOU if the feasibility study carried out shows positive results.

In the event the Definitive Agreements are not executed within the said 1 month, the Parties can either extend the validity period for successive periods of 3 months or terminate the MOU without any penalty or claim for damages.

Tune Ins Holdings Berhad (948454-K)

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

For the period ended 30 June 2014

17. Performance review

17.1 Current quarter ("2Q14") against corresponding quarter in prior year ("2Q13")

	Investment holding and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
											Current quarter 3 months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 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	3,775	419	14,245	12,720	104	79	86,393	83,489	(3,007)	-	101,510	96,707
Inter-segment	10,826	-	12,770	10,232	-	-	-	-	(23,596)	(10,232)	-	-
	14,601	419	27,015	22,952	104	79	86,393	83,489	(26,603)	(10,232)	101,510	96,707
Segment profit/(loss)	12,605	(1,021)	13,699	12,165	(9)	113	3,113	5,117	(13,694)	(460)	15,714	15,914

Operating revenue (gross earned premiums + investment income)

The Group's operating revenue increased from RM96.7 million in 2Q13 to RM101.5 million in 2Q14, contributed by an increase of RM4.2 million in gross earned premiums ("GEP") and an increase of RM0.6 million in investment income.

There was an increase of RM2.9 million in GEP of general insurance in 2Q14, mainly contributed by an increase in GEP of travel PA, offset by decrease in marine and offshore classes of business.

The GEP (including inter-segment) of general reinsurance segment increased from RM22.7 million in 2Q13 to RM26.5 million in 2Q14, contributed by the growth in GEP mainly from Malaysia, Thailand, China and Philippines market. The number of policies earned has increased by 15% over that of 2013.

Profit before taxation

The Group registered a minimal decrease of RM0.2 million or 1% in profit before taxation in 2Q14.

Profit before taxation of general insurance decreased by RM2.0 million in 2Q14, as a result of increase in staff costs for new hires and higher provision for share of Malaysian Motor Insurance Pool ("MMIP") in the current quarter.

The decrease was then mitigated by:

- (i) Increase of RM1.5 million in profit before taxation of general reinsurance as a result of the improvement in operating revenue, partially offset by the increase in management expense for staff costs on new hires and unrealised foreign exchange losses; and
- (ii) Share of profit from associates in Thailand of RM0.3 million.

Tune Ins Holdings Berhad (948454-K)

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

For the period ended 30 June 2014

17. Performance review (contd.)

17.2 Current year to date ("YTD 2014") against corresponding year to date ("YTD 2013")

	Investment holding and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 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	4,456	677	30,072	26,284	188	154	183,753	156,338	(3,007)	-	215,462	183,453
Inter-segment	10,826	-	24,529	18,950	-	-	-	-	(35,355)	(18,950)	-	-
	<u>15,282</u>	<u>677</u>	<u>54,601</u>	<u>45,234</u>	<u>188</u>	<u>154</u>	<u>183,753</u>	<u>156,338</u>	<u>(38,362)</u>	<u>(18,950)</u>	<u>215,462</u>	<u>183,453</u>
Segment profit/(loss)	11,354	(4,938)	28,566	23,450	(19)	145	11,881	14,744	(13,924)	(460)	37,858	32,941

Operating revenue (gross earned premiums + investment income)

The Group recorded operating revenue of RM215.5 million for YTD 2014, an increase of RM32.0 million or 17%, from RM183.5 million for YTD 2013. The said increase of RM32.0 million was contributed by an increase of RM31.6 million in GEP and RM0.4 million in investment income.

GEP of general insurance has registered an increase of RM28.4 million in YTD 2014, mainly contributed by an increase in GEP of medical, marine hull, travel PA and fire classes of business.

The increase of RM8.8 million in GEP (including inter-segment) of general reinsurance segment was mainly due to continuous growth in GEP in key markets of Malaysia, China, Thailand and Philippines. The number of policies earned has increased by 19% over that of 2013.

Profit before taxation

There was an increase of 15% in Group's profit before taxation, from RM32.9 million in YTD 2013 to RM37.9 million in YTD 2014. The increase of RM5.0 million was mainly due to:

- (i) Increase of RM5.1 million in profit before taxation of general reinsurance in line with the growth in GEP of 20% over that of YTD 2013 and increase in volume of policies of 19%; and
- (ii) Lower expense of investment holding and others, mainly due to finance costs of RM1.9 million and listing expenses of RM0.9 million in YTD 2013.

The increases are then offset by a decrease of RM2.9 million in profit before taxation of general insurance as a consequence of the increase of RM2.9 million in management expenses mainly for staff costs, marketing costs and other professional costs to support the growth of the operation.

Tune Ins Holdings Berhad (948454-K)

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

For the period ended 30 June 2014

17. Performance review (contd.)

17.3 Current quarter ("2Q14") against preceding quarter in current year ("1Q14")

	Investment holding and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 Jun 2014	31 Mar 2014	30 Jun 2014	31 Mar 2014	30 Jun 2014	31 Mar 2014	30 Jun 2014	31 Mar 2014	30 Jun 2014	31 Mar 2014	30 Jun 2014	31 Mar 2014
	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	3,775	681	14,245	15,827	104	84	86,393	97,360	(3,007)	-	101,510	113,952
Inter-segment	10,826	-	12,770	11,759	-	-	-	-	(23,596)	(11,759)	-	-
	14,601	681	27,015	27,586	104	84	86,393	97,360	(26,603)	(11,759)	101,510	113,952
Segment profit/(loss)	12,605	(1,251)	13,699	14,867	(9)	(10)	3,113	8,768	(13,694)	(230)	15,714	22,144

Operating revenue (gross earned premiums + investment income)

The Group's operating revenue decreased from RM113.9 million in 1Q14 to RM101.5 million in 2Q14. The decrease of RM12.4 million or 11% was mainly contributed by decrease of RM14.1 million in GEP, mitigated by an increase of RM1.7 million in investment income.

GEP of general insurance decreased from RM94.5 million in 1Q14 to RM82.0 million in 2Q14 mainly due to decrease in medical and fire classes of business, where certain significant policies' renewal was performed in 1Q14.

Profit before taxation

There was a decrease of RM6.3 million in profit before taxation due to:

- (i) Decrease of RM5.6 million in profit before taxation of general insurance, mainly due to gain on disposal of properties in 1Q14; and
- (ii) Profit before taxation 2Q14 of general reinsurance was RM1.2 million lower than 1Q14, due to higher management expenses in 1Q14 for increase in staff costs, IT expenses and foreign exchange differences, in line with the growth of business.

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 30 June 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.

Tune Ins Holdings Berhad (948454-K)

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

For the period ended 30 June 2014

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

20.2 Utilisation of proceeds (contd.)

Status of utilisation of proceeds raised from IPO as at 30 June 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	11.7	Within 24 months
(iii) Strategic investments	33.0	33.0	Within 24 months
(iv) Listing expenses	11.0	10.3	Within 3 months
Total gross proceeds	<u>193.6</u>	<u>188.0</u>	

20.3 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 for the disposal has been received from the State Authority on 31 October 2013. The disposal was subsequently completed on 29 January 2014. The Company then continued to occupy the disposed properties on a rent back basis from Santa Grand. On 28 April 2014, the Company 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.

23. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2014 or the previous year ended 31 December 2013.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A
For the period ended 30 June 2014

24. Risks and policies for derivatives

The Group did not enter into any derivatives during the period ended 30 June 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 30 June 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 30 June 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>30 June</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	212,652	192,073
- Unrealised	(1,351)	(1,915)
	<u>211,301</u>	<u>190,158</u>
Less: Consolidation adjustments	(77,639)	(61,071)
Total retained earnings as per statement of financial position	<u>133,662</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 30 June 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