



Tune Ins Holdings Berhad (948454-K)

Interim Financial Statements

For the Quarter and Twelve Months Ended 31 December 2014

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of financial position As at 31 December 2014

	As at 31 Dec 2014 Unaudited RM'000	As at 31 Dec 2013 Audited RM'000
Assets		
Property and equipment	9,890	5,348
Investment property	2,879	2,906
Intangible assets	5,918	5,416
Investment in associates	45,113	-
Investment in a joint venture company	536	-
Goodwill	24,165	24,165
Investments	551,252	534,571
Reinsurance assets	249,260	246,410
Insurance receivables	88,369	87,360
Other receivables	97,824	84,364
Cash and bank balances	21,702	24,063
Assets held for sale	-	8,580
Total assets	1,096,908	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	(4,445)	(3,296)
Retained earnings	172,681	129,087
Equity attributable to owners of the parent	402,917	360,472
Non-controlling interests	38,161	37,133
Total equity	441,078	397,605
Liabilities		
Insurance contract liabilities	530,970	503,636
Deferred tax liabilities	1,110	1,851
Provision for taxation	38	498
Insurance payables	67,942	67,418
Retirement benefits	792	945
Other payables	54,978	51,230
Total liabilities	655,830	625,578
Total equity and liabilities	1,096,908	1,023,183
Net assets per ordinary share attributable to owners of the parent (RM)	0.54	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 year ended 31 December 2014

	Note	Current quarter		Cumulative quarters	
		3 months ended		12 months ended	
		31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
		RM'000	RM'000	RM'000	RM'000
Operating revenue		118,543	105,867	443,515	388,130
Gross earned premiums		112,990	99,035	423,480	367,529
Premiums ceded to reinsurers		(37,466)	(33,228)	(155,365)	(126,417)
Net earned premiums		75,524	65,807	268,115	241,112
Investment income	7	5,553	6,832	20,035	20,601
Realised gains and losses	8	(147)	(45)	5,307	3,946
Fair value gains and losses	8	(256)	-	357	-
Fees and commission income		5,715	6,971	28,586	27,359
Other operating income		2,291	734	3,901	1,163
Other revenue		13,156	14,492	58,186	53,069
Gross claims paid		(36,436)	(44,882)	(152,052)	(164,527)
Claims ceded to reinsurers		10,145	15,088	59,918	47,320
Gross changes to contract liabilities		(7,993)	(12,025)	(17,263)	(33,820)
Change in contract liabilities ceded to reinsurers		7,219	18,480	(153)	56,995
Net claims		(27,065)	(23,339)	(109,550)	(94,032)
Fee and commission expenses		(18,697)	(17,625)	(73,227)	(63,353)
Management expenses		(18,040)	(15,423)	(67,372)	(57,069)
Other operating expenses		35	(676)	(131)	(1,573)
Finance costs	8	-	-	-	(1,902)
Other expenses		(36,702)	(33,724)	(140,730)	(123,897)
Share of results of a joint venture company		8	-	103	-
Share of results of associates		1,368	-	3,686	-
Profit before taxation	8	26,289	23,236	79,810	76,252
Taxation	9	(2,153)	(872)	(3,724)	(3,718)
Net profit for the year		24,136	22,364	76,086	72,534

Tune Ins Holdings Berhad (948454-K)

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

	Current quarter		Cumulative quarters	
	3 months ended		12 months ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2014	2013	2014	2013
Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss):				
<u>Movements in available-for-sale fair value reserves:</u>				
(Loss)/gain on fair value changes of AFS investments	(1,234)	(190)	(853)	80
Realised loss/(gain) transferred to profit or loss	149	49	(1,171)	(3,900)
Share of other comprehensive (loss)/income of associates	(415)	-	194	-
Deferred tax relating to components of other comprehensive income	258	(219)	411	701
Net other comprehensive loss for the year	(1,242)	(360)	(1,419)	(3,119)
Total comprehensive income for the year	22,894	22,004	74,667	69,415
Profit attributable to:				
Owners of the parent	22,854	20,983	72,612	67,999
Non-controlling interests	1,282	1,381	3,474	4,535
	24,136	22,364	76,086	72,534
Total comprehensive income attributable to:				
Owners of the parent	21,749	20,684	71,463	65,402
Non-controlling interests	1,145	1,320	3,204	4,013
	22,894	22,004	74,667	69,415
Earnings per share attributable to owners of the parent (sen per share):				
Basic	10	3.04	2.87	9.66
Diluted	10	3.03	2.87	9.29

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

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Condensed consolidated statement of changes in equity For the year ended 31 December 2014

	Attributable to the owners of the parent							Non-controlling interests	Total equity	
	← Non-distributable →			Distributable		Total	RM'000			RM'000
	Share capital	Share premium	Merger deficit	Available-for-sale reserves	Retained earnings					
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	-	-	-	-	72,612	72,612	3,474	76,086		
Other comprehensive loss for the period	-	-	-	(1,149)	-	(1,149)	(270)	(1,419)		
Total comprehensive (loss)/income for the period	-	-	-	(1,149)	72,612	71,463	3,204	74,667		
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,176)	(2,176)		
Dividends on ordinary shares	-	-	-	-	(29,018)	(29,018)	-	(29,018)		
At 31 December 2014	75,176	173,343	(13,838)	(4,445)	172,681	402,917	38,161	441,078		
At 1 January 2013 (as previously stated)	60,838	-	(13,838)	(455)	61,178	107,723	32,052	139,775		
Effects of adoption of MFRS 10	-	-	-	(244)	244	-	-	-		
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)	(699)	61,088	107,389	33,120	140,509		
Net profit for the period	-	-	-	-	67,999	67,999	4,535	72,534		
Other comprehensive loss for the period	-	-	-	(2,597)	-	(2,597)	(522)	(3,119)		
Total comprehensive (loss)/income for the period	-	-	-	(2,597)	67,999	65,402	4,013	69,415		
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 31 December 2013	75,176	173,343	(13,838)	(3,296)	129,087	360,472	37,133	397,605		

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 year ended 31 December 2014

	Cumulative quarters 12 months ended	
	31 Dec 2014	31 Dec 2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	79,810	76,252
Adjustments for:		
Non-cash items	(679)	4,817
Non-operating activities items	62,854	11,033
Operating profit before working capital changes:	141,985	92,102
Net change in operating assets	(14,299)	(139,945)
Net change in operating liabilities	32,409	86,790
Cash generated from operating activities	160,095	38,947
Net interest received	14,307	18,643
Net dividend received	6,318	403
Rental received	357	355
Retirement benefits paid	(186)	(283)
Income tax paid	(9,746)	(8,038)
Net cash generated from operating activities	171,145	50,027
Cash flows from investing activities		
Proceeds from disposal of property and equipment	13,012	86
Purchase of property and equipment	(6,578)	(1,384)
Purchase of intangible assets	(2,345)	(1,419)
Net cash outflow on investment in a joint venture company	(433)	-
Net cash outflow on investment in associates	(41,233)	-
Net cash used in investing activities	(37,577)	(2,717)
Cash flows from financing activities		
Repayment of borrowings	-	(132,106)
Interest paid	-	(1,902)
Share issuance expenses	-	(5,876)
Dividend paid to equity holders of the parent	(29,018)	-
Dividend paid to non-controlling interests	(2,177)	-
Proceeds from issuance of ordinary shares	-	193,557
Net cash (used in)/generated from financing activities	(31,195)	53,673
Net increase in cash and cash equivalents	102,373	100,983
Effect of exchange rate changes on cash and cash equivalents	-	17
Cash and cash equivalents at beginning of period	290,229	189,229
Cash and cash equivalents at end of period	392,602	290,229
Cash and cash equivalents comprise:		
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions	370,900	266,166
Cash and bank balances	21,702	24,063
	392,602	290,229

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 year ended 31 December 2014

1. Basis of preparation

The condensed consolidated interim financial statements, for the year ended 31 December 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 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- 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: Amendments to MFRS 2 Share-based Payment	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 3 Business Combinations	1 July 2014

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 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
Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 8 Operating Segments	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 124 Related Party Disclosures	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 3 Business Combinations	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 13 Fair Value Measurement	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 140 Investment Property	1 July 2014
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments	1 January 2018

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.

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2014

4. Changes in composition of the Group

4.1 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").

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.

4.2 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).

4.3 Incorporation of a subsidiary, Tune Insurance PCC Ltd ("TIPCC")

On 27 October 2014, TIPCC was incorporated as a subsidiary of Tune GenRe Ltd ("TGR"), a wholly-owned subsidiary of the Company.

TIPCC was incorporated as a Protected Cell Company Limited by Shares under Labuan Companies Act 1990, with Company No. PCC11332. TGR will be the subscriber of 100 ordinary shares of USD1 each for the incorporation of TIPCC. TIPCC is principally engaged in captive insurance business.

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

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 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	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 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
Operating revenue												
External	3,923 ¹	1,651	59,252 ²	57,053	377 ¹	311	379,963 ³	329,115	-	-	443,515 ⁴	388,130
Inter-segment	75,258	30,692	51,111	43,822	-	-	-	-	(126,369)	(74,514)	-	-
	<u>79,181</u>	<u>32,343</u>	<u>110,363</u>	<u>100,875</u>	<u>377</u>	<u>311</u>	<u>379,963</u>	<u>329,115</u>	<u>(126,369)</u>	<u>(74,514)</u>	<u>443,515</u>	<u>388,130</u>
Segment profit/(loss)	<u>58,406</u>	<u>24,577</u>	<u>58,276</u>	<u>53,467</u>	<u>251</u>	<u>402</u>	<u>24,095</u>	<u>29,421</u>	<u>(61,218)</u>	<u>(31,615)</u>	<u>79,810</u>	<u>76,252</u>
	Investment holding and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 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>737,432</u>	<u>299,488</u>	<u>71,740</u>	<u>93,051</u>	<u>11,460</u>	<u>11,361</u>	<u>869,202</u>	<u>829,983</u>	<u>(592,926)</u>	<u>(210,700)</u>	<u>1,096,908</u>	<u>1,023,183</u>
Segment liabilities	<u>4,125</u>	<u>2,865</u>	<u>22,196</u>	<u>45,690</u>	<u>608</u>	<u>745</u>	<u>650,592</u>	<u>617,134</u>	<u>(21,691)</u>	<u>(40,856)</u>	<u>655,830</u>	<u>625,578</u>

¹ Investment income only

² included investment income of RM1.8 million

³ included investment income of RM14.0 million

⁴ included investment income of RM20.0 million

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 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 12 months ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Rental income from investment property	92	94	356	355
Interest income:				
- available-for-sale financial assets	520	1,346	3,953	5,888
- loan and receivables	4,932	3,477	14,754	10,871
- others	-	85	-	1,348
Dividend income:				
- available-for-sale financial assets	(57)	154	1,032	417
- fair value through profit or loss	70	-	70	-
- others	-	1,690	-	1,690
	5,557	6,846	20,165	20,569
Net (amortisation of premiums)/accretion of discounts on investments	(4)	(14)	(130)	32
	5,553	6,832	20,035	20,601

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Finance costs	-	-	-	1,902
Depreciation of property and equipment	655	42	1,759	722
Depreciation of investment property	6	7	27	28
Amortisation of intangible assets	600	221	1,775	1,242
Allowance for impairment losses of insurance receivables	-	406	263	262
Allowance for impairment losses of reinsurance assets	-	1,210	-	-

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2014

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

	Current quarter		Cumulative quarters	
	3 months ended		12 months ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Realised gain on disposal of property and equipment	-	(4)	(4,134)	(46)
Realised loss/(gain) on disposal of available-for-sale investments	147	49	(1,173)	(3,900)
Realised gains and losses	147	45	(5,307)	(3,946)
Fair value loss/(gain) on financial assets carried at fair value through profit & loss	256	-	(357)	-
(Gain)/loss on foreign exchange- realised	(244)	180	(121)	725
(Gain)/loss on foreign exchange - unrealised	(599)	(64)	(369)	704
Listing expenses	-	-	-	640

9. Taxation

	Current quarter		Cumulative quarters	
	3 months ended		12 months ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Income tax expense	2,210	784	4,447	3,803
Deferred tax (benefit)/expense	(57)	88	(723)	(85)
	2,153	872	3,724	3,718
Effective tax rate	8%	4%	5%	5%

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, and tax relief in relation to payment to Malaysia Motor Insurance Pool ("MMIP") in current year.

During the financial year ended 31 December 2014, a subsidiary of the Company had effected payment to MMIP, resulting in a tax relief of RM2.3 million (YTD 31 December 2013: RM4.5 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.

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2014

10. Earnings per share (contd.)

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.

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		12 months ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Profit net of tax attributable to owners of the parent (RM'000)	22,854	20,983	72,612	67,999
Weighted average number of ordinary shares in issue ('000)	751,760	732,120	751,760	732,120
Effects of dilution- Employees' Share Option Scheme ('000)	1,502	-	1,626	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	753,262	732,120	753,386	732,120
Basic earnings per share (sen per share)	3.04	2.87	9.66	9.29
Diluted earnings per share (sen per share)	3.03	2.87	9.64	9.29

11. Share capital and share premium

During the financial year ended 31 December 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 year ended 31 December 2014.

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2014

13. Capital commitments

	<u>As at 31 Dec 2014</u> RM'000	<u>As at 31 Dec 2013</u> RM'000
Approved and contracted for:		
- Property and equipment	-	938
Approved but not contracted for:		
- Property and equipment	7,867	6,280
	<u>7,867</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
Think Big Digital Sdn Bhd ("TBD")	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

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 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		12 months ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
TMSB				
Reimbursement of expenses incurred	-	(233)	(1)	(744)
AAB				
Fee and commission expenses	(3,239)	(2,993)	(11,741)	(10,937)
Data management fee	(31)	(84)	(178)	(344)
AAX				
Fee and commission expenses	(838)	(790)	(3,021)	(2,361)
PTAA				
Telemarketing commission expenses	(6)	(12)	(31)	(61)
Fee and commission expenses	(212)	(253)	(836)	(826)
TAA				
Telemarketing commission expenses	(15)	(20)	(77)	(58)
Fee and commission expenses	(102)	(74)	(304)	(282)
AAI				
Fee and commission expenses	-	-	(40)	(15)
AAE				
Fee and commission expenses	(2)	(2)	(7)	(6)
TBD				
Purchase of products	-	-	-	(2)
TGL				
Royalty fee	-	(250)	-	(1,000)
TGSB				
Royalty fee	-	-	(1,000)	(374)

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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		12 months ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
THRS				
Data management fee	(1)	(2)	(4)	(11)
CSL				
Telemarketing commission expenses	(12)	(23)	(63)	(126)
SP&G				
Brokerage fee	(65)	(64)	(1,508)	(595)
ZEST				
Fee and commission expenses	(30)	-	(143)	-

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

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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For the year ended 31 December 2014

17. Performance review

17.1 Current quarter ("4Q14") against corresponding quarter in prior year ("4Q13")

	Investment holding and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 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
Operating revenue												
External	1,988	471	14,868	15,688	95	76	101,592	89,632	-	-	118,543	105,867
Inter-segment	47,834	20,792	14,848	13,598	-	-	-	-	(62,682)	(34,390)	-	-
	49,822	21,263	29,716	29,286	95	76	101,592	89,632	(62,682)	(34,390)	118,543	105,867
Segment profit/(loss)	35,180	20,225	17,571	16,408	134	123	8,927	7,506	(35,523)	(21,026)	26,289	23,236

Operating revenue (gross earned premiums + investment income)

The Group's operating revenue increased from RM105.9 million in 4Q13 to RM118.5 million in 4Q14, contributed by an increase of RM14.0 million in gross earned premiums ("GEP") offset by a decrease of RM1.3 million in investment income.

The GEP (including inter-segment) of general reinsurance segment increased from RM28.9 million in 4Q13 to RM29.3 million in 4Q14, mainly due to growth in Middle East market and product enhancement in 2014.

There was an increase of RM14.8 million in GEP of general insurance in 4Q14, mainly contributed by an increase in GEP of fire, travel, medical and marine class of businesses, offset by decrease of RM2.9 million in investment income.

Profit before taxation

The Group registered an increase of RM3.0 million or 13% in profit before taxation in 4Q14.

The increase in profit before taxation of investment holding and others segment was mainly due to higher dividend income received from a subsidiary company.

There was an increase of RM1.2 million in profit before taxation of general reinsurance segment in 4Q14 as a result of the abovementioned growth in GEP, increase of RM0.3 million in unrealised foreign exchange gain and decrease of RM0.3 million in information technology expenses.

Profit before taxation of general insurance increased by RM1.4 million in 4Q14, mainly due to growth in net earned premiums and improvement in underwriting margin.

The above increases were further contributed by share of profits from an associate in Thailand of RM1.3 million for the current quarter.

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For the year ended 31 December 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	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 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
Operating revenue												
External	3,923	1,651	59,252	57,053	377	311	379,963	329,115	-	-	443,515	388,130
Inter-segment	75,258	30,692	51,111	43,822	-	-	-	-	(126,369)	(74,514)	(0)	-
	<u>79,181</u>	<u>32,343</u>	<u>110,363</u>	<u>100,875</u>	<u>377</u>	<u>311</u>	<u>379,963</u>	<u>329,115</u>	<u>(126,369)</u>	<u>(74,514)</u>	<u>443,515</u>	<u>388,130</u>
Segment profit/(loss)	<u>58,406</u>	<u>24,577</u>	<u>58,276</u>	<u>53,467</u>	<u>251</u>	<u>402</u>	<u>24,095</u>	<u>29,421</u>	<u>(61,218)</u>	<u>(31,615)</u>	<u>79,810</u>	<u>76,252</u>

Operating revenue (gross earned premiums + investment income)

The Group recorded operating revenue of RM443.5 million for YTD 2014, an increase of RM55.4 million or 14%, from RM388.1 million for YTD 2013. The said increase of RM55.4 million was contributed by an increase of RM55.9 million in GEP offset by decrease of RM0.6 million in investment income.

The increase of RM8.7 million in GEP (including inter-segment) of general reinsurance segment was mainly due to continuous growth in GEP in Malaysia, Middle East and Philippines markets. The number of policies earned has increased by 2% over that of 2013.

GEP of general insurance has registered an increase of RM54.5 million in YTD 2014, mainly contributed by the growth in GEP of medical, fire, and travel classes of business, offset by decrease in investment income of RM3.7 million.

Profit before taxation

The Group recorded an increase of RM3.6 million in profit before taxation for YTD 2014 compared to last year.

Investment holding and others segment recorded an increase in profit before taxation contributed by increase in dividend income from subsidiaries and lower expenses in current year, mainly due to finance costs of RM1.9 million and listing expenses of RM0.9 million in YTD 2013.

There was an increase of RM4.8 million in profit before taxation of general reinsurance in line with the 9% growth in GEP over that of YTD 2013 and increase in volume of policies of 2%.

The increases were further offset by a decrease of RM5.3 million in profit before taxation of general insurance as a consequence of the increase in management expenses mainly due to staff costs, marketing costs and other professional costs to support the growth of the operations.

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For the year ended 31 December 2014

17. Performance review (contd.)

17.3 Current quarter ("4Q14") against preceding quarter in current year ("3Q14")

	Investment holding and others		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Dec 2014	30 Sept 2014	31 Dec 2014	30 Sept 2014	31 Dec 2014	30 Sept 2014	31 Dec 2014	30 Sept 2014	31 Dec 2014	30 Sept 2014	31 Dec 2014	30 Sept 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
	Current quarter 3 months ended											
Operating revenue												
External	1,988	486	14,868	14,312	95	94	101,592	94,618	-	-	118,543	109,510
Inter-segment	47,834	13,591	14,848	11,734	-	-	-	-	(62,682)	(25,325)	-	-
	49,822	14,077	29,716	26,046	95	94	101,592	94,618	(62,682)	(25,325)	118,543	109,510
Segment profit/(loss)	35,180	11,872	17,571	12,139	134	136	8,927	3,287	(35,523)	(11,770)	26,289	15,664

Operating revenue (gross earned premiums + investment income)

The Group's operating revenue increased from RM109.5 million in 3Q14 to RM118.5 million in 4Q14. The increase of RM9.0 million or 8% was mainly contributed by increase of RM8.2 million in GEP and RM0.8 million in investment income.

The increase of RM3.7 million in GEP of general reinsurance was mainly due to increase in GEP from Malaysia and Thailand market .

GEP of general insurance increased from RM91.0 million in 3Q14 to RM98.5 million in 4Q14 mainly contributed by increase in fire class of business, offset by decrease of RM0.6 million in investment income.

Profit before taxation

The Group recorded an increase of RM10.6 million in profit before taxation for the period under review compared to 3Q14.

General reinsurance segment has recorded an increase of RM5.4 million, mainly due to growth of 14% in net earned premiums and higher unrealised and realised foreign exchange gains in the current quarter.

Profit before tax of general insurance segment increased by RM5.6 million, contributed by the growth of 10% in net earned premiums and improvement in underwriting margin particularly lower net claims in current quarter under review.

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For the year ended 31 December 2014

18. Commentary on prospects

The Group is on track with its growth strategies across its core businesses. Global Travel will continue its growth through its AirAsia partnership via increase in take-up rate while pursuing additional travel related partnerships. TIMB, our general insurance, will continue focus on profitable portfolio lines with higher contribution to both top and bottom line for the Group. As part of the ASEAN expansion, we continue to evaluate ownership opportunities in Indonesia and strengthen our digital channels for broader consumer access. Our Middle East joint venture and Thailand affiliates are expected to post higher profit contributions as their businesses growth in the coming months.

With positive progress on each of the core businesses, the Group is expected to continue to top and bottom-line profit growth for the financial year ending 31 December 2015.

19. Profit forecast or profit guarantee

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

20. Status of corporate proposal and utilisation of proceeds

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 31 December 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	16.6	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>192.9</u>	

21. Material litigation

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

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For the year ended 31 December 2014

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 31 December 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 December 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 measure at fair value through profit or loss as at 31 December 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 December 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 Dec</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	212,700	192,073
- Unrealised	<u>(1,399)</u>	<u>(1,915)</u>
	211,301	190,158
Less: Consolidation adjustments	<u>(38,620)</u>	<u>(61,071)</u>
Total retained earnings as per statement of financial position	<u>172,681</u>	<u>129,087</u>

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Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A
For the year ended 31 December 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