



Tune Ins Holdings Berhad (948454-K)

Interim Financial Statements

For the Quarter and Six Months Ended 30 June 2015

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of financial position As at 30 June 2015

	As at 30 June 2015 Unaudited RM'000	As at 31 December 2014 Audited RM'000
Assets		
Property and equipment	9,467	9,889
Investment property	2,865	2,879
Intangible assets	5,597	5,918
Investments in associates	50,128	46,722
Investments in a joint venture company	831	581
Goodwill	24,165	24,165
Investments	565,128	551,241
Deferred tax assets	20	-
Reinsurance assets	273,765	259,281
Insurance receivables	189,673	87,120
Other receivables	98,577	81,862
Cash and bank balances	25,511	21,700
Total assets	1,245,727	1,091,358
Equity		
Share capital	75,176	75,176
Share premium	173,343	173,343
Merger deficit	(13,838)	(13,838)
Available-for-sale reserves	(4,250)	(4,012)
Employee share option reserve	3,204	2,169
Foreign currency translation reserve	3,836	1,461
Retained earnings	174,654	172,401
Equity attributable to owners of the parent	412,125	406,700
Non-controlling interests	40,271	38,511
Total equity	452,396	445,211
Liabilities		
Insurance contract liabilities	587,530	539,239
Deferred tax liabilities	-	620
Provision for taxation	39	38
Insurance payables	136,372	66,762
Retirement benefits	778	792
Other payables	68,612	38,696
Total liabilities	793,331	646,147
Total equity and liabilities	1,245,727	1,091,358
Net assets per ordinary share attributable to owners of the parent (RM)	0.55	0.54

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of comprehensive income For the period ended 30 June 2015

	Note	Current quarter		Cumulative quarters	
		3 months ended		6 months ended	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
		RM'000	RM'000	RM'000	RM'000
Operating revenue		115,254	101,510	226,500	215,462
Gross earned premiums		109,492	95,768	215,158	205,685
Premiums ceded to reinsurers		(38,401)	(35,250)	(78,084)	(80,980)
Net earned premiums		71,091	60,518	137,074	124,705
Investment income	7	5,762	5,742	11,342	9,777
Realised gains and losses		693	(80)	667	4,970
Fair value gains and losses		(712)	97	(194)	298
Fees and commission income		9,742	7,332	15,984	15,383
Other operating income		705	59	1,946	1,167
Other revenue		16,190	13,150	29,745	31,595
Gross claims paid		(43,600)	(34,454)	(75,675)	(83,058)
Claims ceded to reinsurers		23,067	13,865	35,998	41,103
Gross changes to contract liabilities		(7,025)	(2,390)	(19,981)	14,657
Change in contract liabilities ceded to reinsurers		1,221	(1,482)	7,101	(23,481)
Net claims		(26,337)	(24,461)	(52,557)	(50,779)
Fee and commission expenses		(20,759)	(16,980)	(39,147)	(35,095)
Management expenses		(22,160)	(16,679)	(40,680)	(32,734)
Other operating expenses		-	(143)	-	(143)
Other expenses		(42,919)	(33,802)	(79,827)	(67,972)
Share of results of associates		305	339	1,073	339
Share of results of a joint venture company		106	(30)	234	(30)
Profit before taxation	8	18,436	15,714	35,742	37,858
Taxation	9	(1,210)	(1,083)	(1,313)	(2,831)
Net profit for the period		17,226	14,631	34,429	35,027

Tune Ins Holdings Berhad (948454-K)

**Condensed consolidated statement of comprehensive income (contd.)
For the period ended 30 June 2015**

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss):				
Effect of post-acquisition foreign exchange translation reserve on investments in associates	357	-	2,375	-
Gain/(loss) on fair value changes of AFS investments	57	267	237	148
Realised loss transferred to profit or loss	(786)	(106)	(816)	(860)
Share of other comprehensive income of associates	(54)	363	(26)	363
Impairment loss of quoted equities	149	-	149	-
Deferred tax relating to components of other comprehensive income	164	(130)	173	88
Net other comprehensive income/(loss) for the period	(113)	394	2,092	(261)
Total comprehensive income for the period	17,113	15,025	36,521	34,766
Profit attributable to:				
Owners of the parent	16,143	14,346	32,624	33,593
Non-controlling interests	1,083	285	1,805	1,434
	17,226	14,631	34,429	35,027
Total comprehensive income attributable to:				
Owners of the parent	16,112	14,735	34,761	33,436
Non-controlling interests	1,001	290	1,760	1,330
	17,113	15,025	36,521	34,766
Earnings per share attributable to owners of the parent (sen per share)				
Basic	10	2.15	1.91	4.34
Diluted	10	2.15	1.90	4.46

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of changes in equity For the period ended 30 June 2015

	Attributable to the owners of the parent						Total	Non-controlling interests	Total equity	
	← Non-distributable			→ Distributable						
	Share capital	Share premium	Merger deficit	Available-for-sale reserves	Employee share option reserves	Foreign currency translation reserves	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2015	75,176	173,343	(13,838)	(4,012)	2,169	1,461	172,401	406,700	38,511	445,211
Net profit for the period	-	-	-	-	-	-	32,624	32,624	1,805	34,429
Other comprehensive profit for the period	-	-	-	(238)	-	2,375	-	2,137	(45)	2,092
Total comprehensive income for the period	-	-	-	(238)	-	2,375	32,624	34,761	1,760	36,521
Grant of equity-settled share options to employees	-	-	-	-	1,035	-	-	1,035	-	1,035
Dividends on ordinary shares	-	-	-	-	-	-	(30,371)	(30,371)	-	(30,371)
At 30 June 2015	75,176	173,343	(13,838)	(4,250)	3,204	3,836	174,654	412,125	40,271	452,396
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 (loss)/ 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

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

Tune Ins Holdings Berhad (948454-K)

Condensed consolidated statement of cash flows For the period ended 30 June 2015

	Cumulative quarters 6 months ended	
	30 June 2015	30 June 2014
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	35,742	37,858
Adjustments for:		
Non-cash items	830	(1,785)
Non-operating activities items	(11,341)	(103,815)
Operating profit/(loss) before working capital changes:	25,231	(67,742)
Net change in operating assets	(87,894)	9,983
Net change in operating liabilities	98,454	11,764
Cash generated from/(used in) operating activities	35,791	(45,995)
Net interest received	3,920	6,808
Net dividend received	14,393	2,275
Rental received	180	173
Retirement benefits paid	(14)	(134)
Income tax paid	(3,788)	(4,811)
Net cash generated from/(used in) operating activities	50,482	(41,684)
Cash flows from investing activities		
Proceeds from disposal of property and equipment	6	12,800
Purchase of property and equipment	(496)	(3,223)
Purchase of intangible assets	(666)	(1,372)
Net cash outflow on investment in joint venture	-	(433)
Net cash outflow on investment in associates	-	(41,233)
Net cash used in investing activities	(1,156)	(33,461)
Cash flows from financing activities		
Dividend paid	(30,371)	(29,018)
Net cash used in financing activities	(30,371)	(29,018)
Net increase/(decrease) in cash and cash equivalents	18,955	(104,163)
Cash and cash equivalents at beginning of period	70,207	188,776
Cash and cash equivalents at end of period	89,162	84,613
Cash and cash equivalents comprise:		
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions	63,651	51,398
Cash and bank balances	25,511	33,215
	89,162	84,613

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2015

1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 30 June 2015, 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 2014.

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 2014.

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 2015:

- Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
- Annual Improvements to MFRS 2010 - 2012 Cycle
- Annual Improvements to MFRS 2011 - 2013 Cycle

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:

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2015

2. Changes in accounting policies (cont'd.)

2.2 Standards issued but not yet effective (cont'd.)

Description	Effective for annual period beginning on or after
MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10)	1 January 2016
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 127 Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments to MFRS 127)	1 January 2016
MFRS 128 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
MFRS 15 Revenue from Contracts	1 January 2018
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 material effect to the financial statements of the Group upon the initial application, other than for MFRS 9 Financial Instruments. It is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group undertakes a detailed review. The Group is in the process of assessing the financial implications for adopting the new standard.

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

There were no changes in composition of the Group in the current interim results.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2015

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
Collective investment schemes	: Funds managed through collective investment schemes
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		Collective investment schemes		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 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	RM'000	RM'000
	Cumulative quarters 6 months ended													
Operating revenue														
External	72	240	8,485	3,532	30,409	29,446	8	61	187,526	182,183	-	-	226,500 ⁴	215,462
Inter-segment	10,460	11,510	-	-	31,233	25,155	182	127	4,821	1,570	(46,696)	(38,362)	-	-
	<u>10,532¹</u>	<u>11,750</u>	<u>8,485</u>	<u>3,532</u>	<u>61,642²</u>	<u>54,601</u>	<u>190³</u>	<u>188</u>	<u>192,347</u>	<u>183,753</u>	<u>(46,696)</u>	<u>(38,362)</u>	<u>226,500</u>	<u>215,462</u>
Segment profit/(loss)	<u>2,997</u>	<u>8,062</u>	<u>7,641</u>	<u>3,292</u>	<u>29,255</u>	<u>28,566</u>	<u>123</u>	<u>(19)</u>	<u>11,790</u>	<u>11,881</u>	<u>(16,064)</u>	<u>(13,924)</u>	<u>35,742</u>	<u>37,858</u>
Segment assets	<u>295,513</u>	<u>278,203</u>	<u>406,389</u>	<u>288,271</u>	<u>109,401</u>	<u>97,458</u>	<u>10,968</u>	<u>11,837</u>	<u>1,022,249</u>	<u>852,283</u>	<u>(598,793)</u>	<u>(482,618)</u>	<u>1,245,727</u>	<u>1,045,434</u>
Segment liabilities	<u>4,556</u>	<u>2,526</u>	<u>413</u>	<u>302</u>	<u>31,004</u>	<u>21,613</u>	<u>-</u>	<u>1,247</u>	<u>790,692</u>	<u>643,633</u>	<u>(33,334)</u>	<u>(25,063)</u>	<u>793,331</u>	<u>644,258</u>

¹ investment income

² included investment income of RM627k

³ included investment income of RM7,480k

⁴ included investment income of RM11,342k

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Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2015

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 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Rental income from investment property	94	85	180	173
Interest income:				
- available-for-sale financial assets	303	1,031	605	2,336
- loan and receivables	4,011	3,887	8,042	6,367
- fair value through profit or loss	1,023	-	1,983	-
Dividend income:				
- available-for-sale financial assets	267	756	450	935
- fair value through profit or loss financial assets	64	-	81	-
	<u>5,762</u>	<u>5,759</u>	<u>11,341</u>	<u>9,811</u>
Net accretion of discounts/(amortisation discount on investments)	-	(17)	1	(34)
	<u>5,762</u>	<u>5,742</u>	<u>11,342</u>	<u>9,777</u>

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	420	429	795	617
Depreciation of investment property	7	6	14	13
Amortisation of intangible assets	498	431	951	765
Allowance for impairment losses of insurance receivables	(305)	(339)	(220)	311

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Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2015

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Realised (gains)/losses on disposal of:				
- property and equipment	(1)	186	1	(4,111)
- available-for-sale financial assets	(692)	(106)	(668)	(859)
Realised (gains)/losses	(693)	80	(667)	(4,970)
Fair value loss/(gain) on financial assets carried at fair value through profit & loss	712	(97)	194	(298)
Loss/(Gain) on foreign exchange- realised	2	98	(181)	4
(Gain)/Loss on foreign exchange- unrealised	(329)	812	(868)	561

9. Taxation

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Income tax expense	1,444	1,142	1,953	3,440
Deferred tax benefit	(234)	(59)	(640)	(609)
	1,210	1,083	1,313	2,831
Effective tax rate	7%	7%	4%	7%

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 higher tax exempt income from collective investment schemes.

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.

Tune Ins Holdings Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2015

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
	2015	2014	2015	2014
Profit net of tax attributable to owners of the parent (RM'000)	16,143	14,346	32,624	33,593
Weighted average number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Effects of dilution- Employees' Share Option Scheme ('000)	750	2,807	736	1,027
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	752,510	754,567	752,496	752,787
Basic earnings per share (sen per share)	2.15	1.91	4.34	4.47
Diluted earnings per share (sen per share)	2.15	1.90	4.34	4.46

11. Share capital and share premium

During the three months ended 30 June 2015, there were no movement in share capital and share premium.

12. Dividends

The final single tier dividend of 4.04 sen per ordinary share of RM0.10 each on 751,759,980 ordinary shares for the financial year ended 31 December 2014, amounting to RM30,371,103 was approved by shareholders on 5 June 2015 and was paid on 3 July 2015.

No interim dividend has been declared for the financial period ended 30 June 2015.

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Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2015

13. Capital commitments

	As at 30 June 2015 RM'000	As at 31 Dec 2014 RM'000
Approved and contracted for:		
- Property and equipment	480	-
Approved but not contracted for:		
- Property and equipment	7,035	7,867
	<u>7,515</u>	<u>7,867</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
PT Indonesia AirAsia ("PTAA")	Related company
SP&G Insurance Brokers ("SP&G")	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		Cumulative quarters 6 months ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
AAB				
Fee and commission expenses	(3,581)	(2,931)	(7,460)	(5,695)
Data management fee	(25)	(51)	(51)	(108)

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Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2015

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
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
AAX				
Fee and commission expenses	(945)	(718)	(1,970)	(1,506)
PTAA				
Telemarketing commission expenses	(7)	(8)	(10)	(18)
Fee and commission expenses	(215)	(213)	(443)	(440)
TGSB				
Royalty fee	(2,375)	501	(5,292)	(475)
SP&G				
Brokerage fee	(1,050)	(277)	(1,324)	(1,306)

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

Proposed change of company name

On 27 July 2015, the Board of Directors of the Company announced that the Company is proposing to change its name from "Tune Ins Holdings Berhad" to "Tune Protect Group Berhad" ("Proposed Change of Name").

The Proposed Change of Name is to create a more distinct corporate identity for the Company to better reflect the dynamic and holistic business activities and branding of the Group.

The use of the proposed name "Tune Protect Group Berhad" has been approved and reserved by the Companies Commission of Malaysia ("CCM"). The proposed Change of Name is subject to the approval of the shareholders of the Company at the forthcoming Extraordinary General Meeting to be convened on 26 August 2015 at Sime Darby Convention Centre.

The Proposed Change of Name, if approved by the shareholders, will take effect from the date of issuance of the Certificate of Incorporation on Change of Name by the CCM.

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 2015

17. Performance review

17.1 Current quarter ("2Q15") against corresponding quarter in prior year ("2Q14")

	Investment holding and others		Collective investment schemes		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 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	RM'000	RM'000
	Current quarter 3 months ended													
Operating revenue														
External	20	38	4,237	2,464	15,253	13,802	3	26	95,741	85,180	-	-	115,254	101,510
Inter-segment	9,739	11,031	-	-	16,143	13,213	91	78	2,882	1,213	(28,855)	(25,535)	-	-
	9,759	11,069	4,237	2,464	31,396	27,015	94	104	98,623	86,393	(28,855)	(25,535)	115,254	101,510
Segment (loss)/profit	5,328	9,313	3,798	1,913	14,086	13,699	20	(9)	7,974	3,113	(12,770)	(12,315)	18,436	15,714

Group/Consolidated

The Group's operating revenue increased by RM13.8 million from RM101.5 million in 2Q14 to RM115.3 million in 2Q15, mainly due to increase of RM13.7 million in gross earned premiums.

The increase of RM2.7 million or 17% in Group's profit before tax ("PBT"), from RM15.7 million in 2Q14 to RM18.4 million in 2Q15 was mainly due to the increases in pre-tax profits of RM4.9 million in general insurance and RM0.4 million in general reinsurance respectively, offset by higher management expenses.

General reinsurance

Operating revenue of this segment increased by RM4.4 million from RM27.0 million in 2Q14 to RM31.4 million in 2Q15 mainly due to increase of RM4.5 million in gross earned premiums ("GEP") (including inter-segment) of Malaysia and Middle East, offset by decrease in Indonesia.

The increase of RM0.4 million in segment profit was minimal.

General insurance

Operating revenue of this segment increased by RM12.2 million from RM86.4 million in 2Q14 to RM98.6 million in 2Q15, due to increase in GEP of RM12.3 million mainly from the fire, motor and travel class of businesses.

Profit of this segment increased by RM4.9 million, from RM3.1 million in 2Q14 to RM8.0 million in 2Q15 was mainly due to increase of RM6.5 million in net earned premiums of fire, motor, and travel class of businesses, offset by increase of RM1.5 million in management expenses mainly in staff costs (including ESOS expense).

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For the period ended 30 June 2015

17. Performance review (cont'd.)

17.2 Current year to date ("YTD 2015") against corresponding year to date ("YTD 2014")

	Investment holding and others		Collective investment schemes		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	Cumulative quarters 6 months ended													
	RM'000	RM'000	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	72	240	8,485	3,532	30,409	29,446	8	61	187,526	182,183	-	-	226,500	215,462
Inter-segment	10,460	11,510	-	-	31,233	25,155	182	127	4,821	1,570	(46,696)	(38,362)	-	-
	10,532	11,750	8,485	3,532	61,642	54,601	190	188	192,347	183,753	(46,696)	(38,362)	226,500	215,462

Group/Consolidated

The Group's operating revenue increased from RM215.5 million in YTD 2014 to RM226.5 million in YTD 2015. The increase of RM11.0 million was due to increase of RM9.5 million in GEP and RM1.5 million in investment income.

The decrease of RM2.1 million or 6% in Group's PBT, from RM37.8 million in YTD 2014 to RM35.7 million in YTD 2015 was mainly due to higher management expenses of RM6.0 million, offset by increase of RM0.8 million in pre-tax profits from general reinsurance and RM0.7 million in share of profit from associates in Thailand.

General reinsurance

Operating revenue of this segment increased from RM54.6 million in YTD 2014 to RM61.6 million in YTD 2015. The increase of RM7.0 million was mainly contributed by the growth in GEP from Malaysia, Middle East and Philippines, offset by deficit in Indonesia and China.

The increase of RM0.7 million in segment profit was minimal.

General insurance

There was an increase of RM8.6 million in operating revenue of this segment, from RM183.7 million in YTD 2014 to RM192.3 million in YTD 2015, which was mainly due to increase of RM8.4 million in GEP mainly from motor and fire class of businesses and increase of RM0.2 million in investment income.

There was a minimal decrease in RM0.1 million in profit of this segment.

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For the period ended 30 June 2015

17. Performance review (cont'd.)

17.3 Current quarter ("2Q15") against preceding quarter in current year ("1Q15")

	Investment holding and others		Collective investment schemes		General reinsurance		Life reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 June 2015	31 Mar 2015	30 June 2015	31 Mar 2015	30 June 2015	31 Mar 2015	30 June 2015	31 Mar 2015	30 June 2015	31 Mar 2015	30 June 2015	31 Mar 2015	30 June 2015	31 Mar 2015
	RM'000	RM'000	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	20	52	4,237	4,248	15,253	15,156	3	5	95,741	91,785	-	-	115,254	111,246
External	9,739	721	-	-	16,143	15,090	91	91	2,882	1,939	(28,855)	(17,841)	-	-
Inter-segment	9,759	773	4,237	4,248	31,396	30,246	94	96	98,623	93,724	(28,855)	(17,841)	115,254	111,246
Segment (loss)/profit	5,328	(2,331)	3,798	3,843	14,086	15,169	20	103	7,974	3,817	(12,770)	(3,296)	18,436	17,305

Group/Consolidated

The Group's operating revenue increased from RM111.2 million in 1Q15 to RM115.2 million in 2Q15. The increase of RM4.0 million was due to increases of RM3.8 million in GEP and RM0.2 million in investment income.

Segment profit of the Group increased by RM1.1 million from RM17.3 million in 1Q15 to RM18.4 million in 2Q15, due to an increase of RM4.2 million in pre-tax profits in general insurance, offset by decrease of RM1.2 million in general reinsurance, higher management expenses of the Company of RM1.5 million and decrease of RM0.5 million in share of profits of associates in Thailand.

General reinsurance

There was an increase of RM1.2 million in operating revenue of this segment mainly contributed by increase in GEP of Malaysia in 2Q15.

Profit of this segment decreased by RM1.1 million mainly due to increase of RM1.4 million in management expenses for higher staff costs and marketing costs.

General insurance

Operating revenue of this segment increased from RM93.7 million in 1Q15 to RM98.6 million in 2Q15. The increase of RM4.9 million was mainly due to increase of RM3.8 million in GEP mainly in fire and motor class of businesses and RM1.1 million in investment income due to higher yield mainly from collective investment schemes.

The increase of RM4.2 million in segment profit was mainly due to increase in net earned premiums in fire and motor class of businesses arising from the reduction of cession under the Motor Quota Share arrangement.

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For the period ended 30 June 2015

18. Commentary on prospects

The Group is on track with its growth strategies across its core businesses. 1Q15 started the year with travel demand softness, coming off the trails of QZ8501 incident in late 4Q14. However, travel demand has since picked up in late 1Q15 and expected global travel has recorded a growth of 31.9% in GEP for 2Q15 over that of 2014.

TIMB, our general insurance entity, faced a temporary impact on short-term policies in 1Q15, and this had normalised during 2Q15 through a growth of 4.2% in GEP for 2Q15 over that of 1Q15. TIMB will also continue to focus on profitable portfolio lines with higher contribution to both top and bottom line for the Group.

Our Middle East joint venture has continued to post a strong profit in 2Q15, which has exceeded its full year profit in 2014. This joint venture is expected to continue to grow with the activation of offline agents and new distribution channels in the Middle East markets. Thailand affiliates are also expected to post higher profit contributions as their businesses grow in the coming months.

As part of the ASEAN expansion, the Group has embarked on its acquisition of a 50%+1 share stake in an Indonesian general insurer, which is pending regulatory approval. The acquisition is expected to be completed some time in the next three months. In addition, the Group also continues to strengthen its digital channel for broader consumer access.

Notwithstanding the recent political developments, economic situation and currency volatility in the region, we are confident that our second half performance will continue with a similar growth trend based on our current business pipeline and forward sales.

19. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial year ending 31 December 2015.

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20. Status of corporate proposal

Investment in PT Asuransi Staco Mandiri ("ASM")

On 5 May 2015, the Company had executed a Conditional Binding Offer Letter to acquire 38,235 ordinary shares of IDR500,000 each or 31.82% of the issued and paid-up shares (or 23.33% of the enlarged share capital) from Dana Pensiun Bank Mandiri Dua, Yayasan Kesejahteraan Pensiun BDN, and Dana Pensiun Pertamina, for the purchase consideration of IDR26,764,500,000 or IDR700,000 per share and to subscribe the entirety of 43,707 newly issued shares in ASM for IDR30,594,900,000 or 26.67% of the enlarged share capital in ASM; and a Cooperation Agreement with PT Cahaya Putratama Abadi ("CPA") for CPA to assist TIH to become the holding company of ASM, to facilitate the acquisition process of ASM and for CPA to provide further assistance and business development services for the expansion of TIH's insurance business in Indonesia, for IDR25,500,000,000.

The acquisition and cooperation would enable TIH to own a total of 81,942 shares or 50% plus 1 share equity interest in ASM at a collective purchase consideration of IDR82,859,400,000 (equivalent to approximately RM22.79 million). The investment in ASM is subject to the approval of Bank Negara Malaysia and Otoritas Jasa Keuangan Indonesia ("OJK").

An application for approval with respect to the proposed investment and change in shareholding in ASM has also been submitted to the regulator, OJK by ASM.

On 4 August 2015, the Company announced that TIH is still in discussion and awaiting the necessary approvals from the regulators for TIH to proceed with the acquisition of 50% plus 1 share equity interest in ASM.

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 2015 or the previous year ended 31 December 2014.

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For the period ended 30 June 2015

24. Risks and policies for derivatives

The Group did not enter into any derivatives during the period ended 30 June 2015 or the previous year ended 31 December 2014.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2015 and 31 December 2014.

26. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group as at 30 June 2015 and 31 December 2014 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>2015</u> <u>RM'000</u>	<u>As at</u> <u>31 Dec</u> <u>2014</u> <u>RM'000</u>
Total retained earnings of the Company and its subsidiaries:		
- Realised	235,930	223,964
- Unrealised	(170)	(1,399)
	<u>235,760</u>	<u>222,565</u>
Less: Consolidation adjustments	<u>(61,106)</u>	<u>(50,164)</u>
Total retained earnings as per statement of financial position	<u>174,654</u>	<u>172,401</u>

27. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.

By order of the Board

Jasmindar Kaur A/P Sarban Singh
Company Secretary