



Tune Protect Group Berhad (948454-K)

Interim Financial Statements

For the Quarter and Twelve Months Ended 31 December 2016

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of financial position As at 31 December 2016

	As at 31 Dec 2016 Unaudited RM'000	As at 31 Dec 2015 Audited RM'000
Assets		
Property and equipment	8,897	8,891
Investment property	2,926	2,954
Intangible assets	3,999	4,884
Investments in associates	52,226	47,788
Investments in a joint venture company	2,101	1,251
Goodwill	24,165	24,165
Deferred tax assets	1,179	-
Investments	693,593	587,622
Reinsurance assets	206,919	244,802
Insurance receivables	144,816	132,273
Other receivables	112,600	123,063
Cash and bank balances	10,213	33,293
Total assets	1,263,634	1,210,986
Equity		
Share capital	75,176	75,176
Share premium	173,343	173,343
Merger deficit	(13,838)	(13,838)
Available-for-sale ("AFS") reserves	(4,894)	(4,969)
Employee share option reserve	5,897	4,705
Foreign currency translation reserve	7,468	5,777
Retained earnings	253,390	211,002
Equity attributable to owners of the parent	496,542	451,196
Non-controlling interests	44,712	40,424
Total equity	541,254	491,620
Liabilities		
Insurance contract liabilities	558,043	577,288
Deferred tax liabilities	-	1,106
Provision for taxation	23	18
Insurance payables	108,614	87,550
Retirement benefits	418	530
Other payables	55,282	52,874
Total liabilities	722,380	719,366
Total equity and liabilities	1,263,634	1,210,986
Net assets per ordinary share attributable to owners of the parent (RM)		
	0.66	0.60

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of comprehensive income For the year ended 31 December 2016

	Note	Current quarter		Cumulative quarters	
		3 months ended		12 months ended	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
		RM'000	RM'000	RM'000	RM'000
Operating revenue		135,466	130,922	516,621	480,193
Gross earned premiums		127,226	122,675	486,345	453,448
Premiums ceded to reinsurers		(42,480)	(36,652)	(153,327)	(149,608)
Net earned premiums		84,746	86,023	333,018	303,840
Investment income	7	8,240	8,247	30,276	26,745
Realised gains and losses		(15)	252	48	(28)
Fair value gains and losses		(1,153)	(255)	(242)	(375)
Fees and commission income		6,814	5,599	28,966	27,289
Other operating income		4,600	1,323	4,989	6,991
Other revenue		18,486	15,166	64,037	60,622
Gross claims paid		(47,549)	(41,713)	(177,196)	(162,927)
Claims ceded to reinsurers		11,773	15,539	73,088	72,763
Gross changes to contract liabilities		(3,865)	8,412	29,079	(17,516)
Change in contract liabilities ceded to reinsurers		2,520	(13,016)	(38,181)	(14,608)
Net claims		(37,121)	(30,778)	(113,210)	(122,288)
Fee and commission expenses		(21,145)	(21,576)	(85,729)	(80,823)
Management expenses		(29,064)	(17,180)	(107,090)	(82,235)
Other operating expenses		(312)	(2,045)	(370)	(285)
Other expenses		(50,521)	(40,801)	(193,189)	(163,343)
Share of results of associate		432	(2,363)	2,808	(2,835)
Share of results of a joint venture company		790	112	1,219	527
Profit before taxation	8	16,812	27,359	94,683	76,523
Taxation	9	514	(2,180)	(8,098)	(3,640)
Net profit for the year		17,326	25,179	86,585	72,883

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Condensed consolidated statement of comprehensive income (cont'd.) For the year ended 31 December 2016

	Current quarter		Cumulative quarters		
	3 months ended		12 months ended		
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	
Note	RM'000	RM'000	RM'000	RM'000	
Other comprehensive income/(loss):					
<u>Items that will not be subsequently reclassified to profit or loss:</u>					
Share of other comprehensive loss of an associate	-	(172)	-	(198)	
<u>Items that may be subsequently reclassified to profit or loss:</u>					
Changes in AFS financial assets, net:	(38)	(489)	91	(911)	
- Impairment losses on quoted equities	-	(1,196)	-	-	
- (Loss)/Gain on fair value changes of AFS financial assets	(14)	1,129	176	(1,002)	
- Realised loss transferred to profit or loss	(29)	(585)	(29)	(305)	
- Deferred tax relating to components of other comprehensive loss/(income)	5	163	(56)	396	
Effect of post-acquisition foreign exchange translation reserve on investment in an associate	1,461	464	1,691	4,316	
Net other comprehensive income/(loss) for the year	1,423	(197)	1,782	3,207	
Total comprehensive income for the year	18,749	24,982	88,367	76,090	
Profit attributable to:					
Owners of the parent	16,544	23,486	79,976	68,972	
Non-controlling interests	782	1,693	6,609	3,911	
	17,326	25,179	86,585	72,883	
Total comprehensive income attributable to:					
Owners of the parent	17,971	23,370	81,742	72,331	
Non-controlling interests	778	1,612	6,625	3,759	
	18,749	24,982	88,367	76,090	
Basic and diluted earnings per share attributable to owners of the parent (sen per share)	10	2.20	3.12	10.64	9.17

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of changes in equity For the year ended 31 December 2016

	Attributable to the owners of the parent									
	← Non-distributable →					Distributable				
	Share capital	Share premium	Merger deficit	Available-for-sale reserves	Employee share option reserves	Foreign currency translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	75,176	173,343	(13,838)	(4,969)	4,705	5,777	211,002	451,196	40,424	491,620
Net profit for the year	-	-	-	-	-	-	79,976	79,976	6,609	86,585
Other comprehensive income for the year	-	-	-	75	-	1,691	-	1,766	16	1,782
Total comprehensive income for the year	-	-	-	75	-	1,691	79,976	81,742	6,625	88,367
Grant of equity-settled share options to employees	-	-	-	-	1,192	-	-	1,192	-	1,192
Dividends on ordinary shares	-	-	-	-	-	-	(37,588)	(37,588)	(2,337)	(39,925)
At 31 December 2016	75,176	173,343	(13,838)	(4,894)	5,897	7,468	253,390	496,542	44,712	541,254
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 year	-	-	-	-	-	-	68,972	68,972	3,911	72,883
Other comprehensive (loss)/ income for the year	-	-	-	(957)	-	4,316	-	3,359	(152)	3,207
Total comprehensive (loss)/ income for the year	-	-	-	(957)	-	4,316	68,972	72,331	3,759	76,090
Grant of equity-settled share options to employees	-	-	-	-	2,536	-	-	2,536	-	2,536
Dividends on ordinary shares	-	-	-	-	-	-	(30,371)	(30,371)	(1,846)	(32,217)
At 31 December 2015	75,176	173,343	(13,838)	(4,969)	4,705	5,777	211,002	451,196	40,424	491,620

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of cash flows For the year ended 31 December 2016

	Cumulative quarters 12 months ended	
	31 Dec 2016	31 Dec 2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	94,683	76,523
Adjustments for:		
Non-cash items	3,206	2,089
Non-operating activities items	(34,095)	(24,134)
Operating profit before working capital changes	63,794	54,478
Net change in operating assets	92,972	(66,466)
Net change in operating liabilities	(51,448)	73,025
Cash generated from operating activities	105,318	61,037
Net interest received	12,582	18,959
Net dividend received	14,445	10,913
Rental received	313	363
Retirement benefits paid	(103)	(272)
Income tax paid	(10,576)	(7,469)
Net cash generated from operating activities	121,979	83,531
Cash flows from investing activities		
Purchases of AFS financial assets	(4,219)	(857)
Purchases of financial assets at fair value through profit or loss ("FVTPL")	(235,960)	(56,175)
Proceeds from maturities/disposal of AFS financial assets	12,173	5,885
Proceeds from disposal of FVTPL financial assets	187,500	47,700
Increase in loans and receivables	(68,344)	(36,985)
Proceeds from disposal of property and equipment	37	7
Purchase of property and equipment	(2,517)	(1,059)
Purchase of investment property	-	(103)
Purchase of intangible assets	(1,493)	(1,304)
Net cash used in investing activities	(112,823)	(42,891)
Cash flows from financing activities		
Dividends paid to equity holder	(37,588)	(30,371)
Dividends paid to non-controlling interests	(2,337)	(1,846)
Net cash used in financing activities	(39,925)	(32,217)
Net (decrease)/increase in cash and cash equivalents	(30,769)	8,423
Effect of exchange rate changes on cash and cash equivalents	181	959
Cash and cash equivalents at beginning of year	79,589	70,207
Cash and cash equivalents at end of year	49,001	79,589

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Condensed consolidated statement of cash flows (cont'd.) For the year ended 31 December 2016

	Cumulative quarters	
	12 months ended	
	31 Dec 2016	31 Dec 2015
	RM'000	RM'000
Cash and cash equivalents comprise:		
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions	38,788	46,296
Cash and bank balances	10,213	33,293
	49,001	79,589

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

1. Basis of preparation

The condensed consolidated interim financial statements, for the year ended 31 December 2016, 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 2015.

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 2015.

2. Changes in accounting policies

2.1 Adoption of Amendments to MFRSs and IC Interpretations

On 1 January 2016, the Group adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2016.

- MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*
- Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
- Annual Improvements to MFRSs 2012 – 2014 Cycle
- Amendments to MFRS 101 *Disclosure Initiatives*
- Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*

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

**Explanatory Notes Pursuant to MFRS 134
For the year ended 31 December 2016**

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

2.2 Standards and annual improvements to standards issued but not yet effective

The following are new MFRSs, Amendments to MFRSs, Issues Committee ("IC") Interpretations and annual improvements to standards issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Group's condensed report. The Group intends to adopt these pronouncements, if applicable, when they become effective:

Description	Effective for annual period beginning on or after
Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2017
MFRS 107 <i>Statement of Cash Flows - Disclosures Initiatives (Amendments to MFRS 107)</i>	1 January 2017
MFRS 112 <i>Income Taxes - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)</i>	1 January 2017
Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
MFRS 2 <i>Share-based Payment - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts (Amendments to MFRS 4)</i>	1 January 2018
Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Transfer to Investment Property <i>(Amendments to MFRS 140)</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 10 <i>Consolidated Financial Statements (Amendments to MFRS 10)</i> and MFRS 128 <i>Investment in Associates and Joint Ventures</i>	To be announced by MASB

The above standards and interpretations are not expected to have any material effect to the financial statements of the Group upon initial application except as discussed below:

**Explanatory Notes Pursuant to MFRS 134
For the year ended 31 December 2016**

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

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

MFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2014) is permitted if the date of initial application is before 1 February 2015. The Group is in the process of assessing the financial implications for applying this standard.

Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (MFRS 17).

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if: (i) it has not previously applied any version of MFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time. The Group is currently evaluating the options for the application of this standard.

**Explanatory Notes Pursuant to MFRS 134
For the year ended 31 December 2016**

3. Change in estimates

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

4. Changes in composition of the Group

There were no changes in composition of the Group during the year.

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

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
General insurance business	: Underwriting of all classes of general insurance business

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
					Cumulative quarters		12 months ended					
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 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
Operating revenue												
External	35	150	19,363	17,386	64,952	59,420	432,271	403,237	-	-	516,621	480,193
Inter-segment	45,949	28,893	-	-	64,107	68,360	12,138	10,124	(122,194)	(107,377)	-	-
	45,984 ¹	29,043	19,363 ¹	17,386	129,059 ²	127,780	444,409 ³	413,361	(122,194)	(107,377)	516,621 ⁴	480,193
Segment profit	25,210	11,938	17,341	15,539	59,834	65,908	48,282	26,835	(55,984)	(43,697)	94,683	76,523
Segment assets	295,045	327,123	552,698	465,801	155,882	128,484	969,115	945,498	(709,106)	(655,920)	1,263,634	1,210,986
Segment liabilities	4,131	13,961	220	188	31,734	30,237	707,459	712,831	(21,164)	(37,851)	722,380	719,366

¹ investment income

² included investment income of RM2.4 million

³ included investment income of RM22.9 million

⁴ included investment income of RM30.3 million

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

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 TPG travel business as this will coincide with peak holiday demand as well as 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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Rental income from investment property	36	88	313	363
Interest income:				
- AFS financial assets	298	303	1,205	1,210
- loan and receivables	4,024	4,387	17,084	16,466
- financial assets at FVTPL	1,265	1,373	4,617	4,104
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	1,778	1,952	5,201	3,677
Dividend income:				
- AFS financial assets	71	144	372	804
- financial assets at FVTPL	767	(1)	1,482	119
	8,239	8,246	30,274	26,743
Net accretion of discounts	1	1	2	2
	8,240	8,247	30,276	26,745

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	628	732	2,340	1,950
Depreciation of investment property	6	7	28	28
Amortisation of intangible assets	728	633	2,212	2,068
(Reversal of)/Allowance for impairment losses of insurance receivables	(252)	(2,901)	588	(3,112)
Write-off of property and equipment	312	-	312	-
Write-off of intangible assets	-	270	-	270

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Realised (gains)/losses on disposal of:				
- property and equipment	(1)	99	(12)	100
- investment in an associate	-	73	-	73
- FVTPL financial assets	45	160	(7)	160
- AFS financial assets	(29)	(584)	(29)	(305)
Realised losses/(gains)	15	(252)	(48)	28
Fair value losses on financial assets carried at FVTPL	1,153	255	242	375
Realised gains on foreign exchange	(2,181)	(1,067)	(1,544)	(2,261)
Unrealised (gains)/losses on foreign exchange	(2,261)	2,708	(2,714)	(1,751)

9. Taxation

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Income tax expense	(943)	600	7,858	2,758
Deferred tax expense	429	1,580	240	882
	(514)	2,180	8,098	3,640
Effective tax rate	-3%	8%	9%	5%

The Group's effective tax rate is lower than the statutory tax rate as the Labuan-based subsidiary has elected to be taxed at RM20,000 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 number of ordinary shares outstanding during the year.

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

10. Earnings per share (cont'd.)

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Profit net of tax attributable to owners of the parent (RM'000)	16,544	23,486	79,976	68,972
Number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Effects of dilution - Employees' Share Option Scheme ('000)	-	-	-	-
Number of ordinary shares for diluted earnings per share computation ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	2.20	3.12	10.64	9.17

There have been no dilutive effects in the current and corresponding periods, as the average market share price was lower than the exercise price of options granted under the Employees' Share Option Scheme.

11. Share capital and share premium

During the three months ended 31 December 2016, there were no movements in share capital and share premium.

12. Dividends

The final single tier dividend of 5 sen per ordinary share of RM0.10 each on 751,759,980 ordinary shares for the financial year ended 31 December 2015, amounting to RM37,587,999 was approved by shareholders on 3 June 2016 and paid on 1 July 2016.

No interim dividend has been declared for the financial year ended 31 December 2016.

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

13. Fair value measurement

The Group uses the following hierarchy for determining the fair values of AFS financial assets and financial assets at FVTPL, included under investments:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	Date of valuation	Quoted market price (Level 1) RM'000	Ob- servable inputs (Level 2) RM'000	Unob- servable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value:					
31 December 2016					
AFS financial assets:					
Unquoted debt securities in Malaysia	31 December 2016	-	19,762	-	19,762
Quoted unit and property trust funds in Malaysia	31 December 2016	6,980	-	-	6,980
		<u>6,980</u>	<u>19,762</u>	<u>-</u>	<u>26,742</u>
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 December 2016	-	103,433	-	103,433
Quoted unit and property trust funds in Malaysia	31 December 2016	61,565	-	-	61,565
		<u>61,565</u>	<u>103,433</u>	<u>-</u>	<u>164,998</u>

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

13. Fair value measurement (cont'd.)

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy: (cont'd.)

	Date of valuation	Quoted market price (Level 1) RM'000	Ob-servable inputs (Level 2) RM'000	Unob-servable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value: (cont'd.)					
31 December 2015					
AFS financial assets:					
Unquoted debt securities in Malaysia	31 December 2015	-	24,548	-	24,548
Quoted unit and property trust funds in Malaysia	31 December 2015	13,846	-	-	13,846
		<u>13,846</u>	<u>24,548</u>	<u>-</u>	<u>38,394</u>
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 December 2015	-	94,669	-	94,669
Quoted unit and property trust funds in Malaysia	31 December 2015	10,049	-	-	10,049
		<u>10,049</u>	<u>94,669</u>	<u>-</u>	<u>104,718</u>
Assets for which fair values are disclosed:					
31 December 2016 / 31 December 2015					
Investment property	31 December 2015	-	-	2,850	2,850

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current and previous financial periods. There were also no transfers in and out of Level 3 of the fair value hierarchy.

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

13. Fair value measurement (cont'd.)

Determination of fair value and fair value hierarchy

The fair values of the Group's financial assets which are carried at fair value or for which fair value is disclosed, are determined as follows:

- (i) The fair values of Malaysian Government Securities, Cagamas Papers and unquoted corporate bonds are determined by reference to Bond Pricing Agency Malaysia.
- (ii) The fair value of investments in unit and property trust funds are determined by reference to published net asset values;
- (iii) The fair value of investment property is determined using the income method, which is based on the discounted cash flow of the expected rental income from the investment property, which has been estimated using a valuation technique based on certain assumptions of rental income and discount rate.
- (iv) The carrying values of other financial instruments of the Group approximate fair values due to their short-term maturity.

14. Capital commitments

	<u>As at</u> <u>31 Dec</u> <u>2016</u> <u>RM'000</u>	<u>As at</u> <u>31 Dec</u> <u>2015</u> <u>RM'000</u>
Approved but not contracted for:		
- Property and equipment	<u>17,177</u>	<u>17,784</u>

15. Contingencies

There were no contingent assets or liabilities as at the date of this report, other than liabilities arising from insurance contract underwritten in the ordinary course of business of the Group.

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

16. 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")	Major shareholder of the Company
AirAsia X Berhad ("AAX")	Person connected to AAB
PT Indonesia AirAsia ("PTAA")	Person connected to AAB
SP&G Insurance Brokers ("SP&G")	SP&G is a company owned by Dato' Zakaria Bin Meranun, the brother of Datuk Kamarudin Bin Meranun, a Director and person connected to the Company's major shareholders, AAB and TGSB
Thai AirAsia Co. Ltd ("TAA")	Person connected to AAB
Tune Group Sdn Bhd ("TGSB")	Major shareholder of the Company

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

	Current quarter		Cumulative quarters	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 Dec	31 Dec	31 Dec	31 Dec
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
AAB				
Fee and commission expenses	(2,744)	(4,474)	(13,929)	(16,498)
Data management fee	(17)	(23)	(76)	(97)
AAX				
Fee and commission expenses	(960)	(1,248)	(4,188)	(4,325)
PTAA				
Telemarketing commission expenses	(3)	(4)	(14)	(19)
Fee and commission expenses	(93)	(165)	(451)	(836)
TAA				
Telemarketing commission expenses	(26)	(24)	(111)	(81)
Fee and commission expenses	(73)	(114)	(354)	(354)
TGSB				
Royalty fee	(2,146)	(2,337)	(11,145)	(10,546)
SP&G				
Brokerage fee	(235)	(67)	(894)	(1,524)

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

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Explanatory Notes Pursuant to MFRS 134 For the year ended 31 December 2016

17. Events after the reporting period

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 are:

- (a) Removal of the authorised share capital;
- (b) Shares of the Company will cease to have par or nominal value; and
- (c) The Company’s share premium and capital redemption reserves will become part of the share capital.

The adoption of the New Act is not expected to have any financial impact on the Group and of the Company for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

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For the year ended 31 December 2016

18. Performance review

18.1 Current quarter ("4Q16") against corresponding quarter in prior year ("4Q15")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 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
	Current quarter 3 months ended											
Operating revenue												
External	9	7	4,891	4,987	15,539	15,695	115,027	110,233	-	-	135,466	130,922
Inter-segment	2,158	657	-	-	14,827	19,810	2,753	2,742	(19,738)	(23,209)	-	-
	2,167	664	4,891	4,987	30,366	35,505	117,780	112,975	(19,738)	(23,209)	135,466	130,922
Segment (loss)/profit	(3,841)	(3,468)	3,571	4,425	14,856	20,151	4,992	12,125	(2,766)	(5,874)	16,812	27,359

Group/Consolidated

The Group's operating revenue increased by RM4.6 million from RM130.9 million in 4Q15 to RM135.5 million in 4Q16. This was due mainly to the improvement in gross earned premiums ("GEP") of Motor, Engineering and Medical classes in general insurance segment.

The decrease of RM10.5 million in the Group's profit before tax ("PBT") from RM27.3 million in 4Q15 to RM16.8 million in 4Q16 was mainly due to:

- Decrease of RM5.3 million in general reinsurance segment's profit due to drop in NEP of Malaysia market, offset by higher investment income;
- Decrease of RM7.1 million in general insurance segment's profit mainly due to higher net claims, allowance for doubtful debts and fixed assets written off, as well as lower realised and fair value gains in investments. The decrease was then offset by improvement in NEP of Motor and Medical classes and lower net commission expense;
- Increase of RM1.6 million in marketing costs of investment holding company; and
- Increase of RM3.5 million in share of profits from oversea ventures i.e. both associate and joint venture company.

General reinsurance

Operating revenue of this segment decreased by RM5.1 million from RM35.5 million in 4Q15 to RM30.3 million in 4Q16, due mainly to the drop of RM6.4 million in GEP of Malaysia market, but offset by RM0.9 million increase in GEP of Middle East market and RM0.4 million in investment income.

The decrease of RM5.3 million in this segment's profit was mainly due to decrease in net earned premiums of Malaysia market but offset by higher investment income.

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

For the year ended 31 December 2016

18. Performance review (cont'd.)

18.1 Current quarter ("4Q16") against corresponding quarter in prior year ("4Q15") (contd.)

General insurance

Operating revenue of this segment increased by RM4.8 million from RM113.0 million in 4Q15 to RM117.8 million in 4Q16, mainly due to the improvement in GEP of Motor, Engineering and Medical classes.

The decrease of RM7.1 million in this segment's profit from RM12.1 million in 4Q15 to RM5.0 million in 4Q16 was due mainly to higher net claims, allowance for doubtful debts and fixed assets written off, as well as lower realised and fair value gains in investments. The decrease was then offset by improvement in NEP of Motor and Medical classes and lower net commission expense.

18.2 Current year to date ("YTD 2016") against corresponding year to date ("YTD 2015")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 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
	Cumulative quarters 12 months ended											
Operating revenue												
External	35	150	19,363	17,386	64,952	59,420	432,271	403,237	-	-	516,621	480,193
Inter-segment	45,949	28,893	-	-	64,107	68,360	12,138	10,124	(122,194)	(107,377)	-	-
	45,984	29,043	19,363	17,386	129,059	127,780	444,409	413,361	(122,194)	(107,377)	516,621	480,193
Segment profit/(loss)	25,210	11,938	17,341	15,539	59,834	65,908	48,282	26,835	(55,984)	(43,697)	94,683	76,523

Group/Consolidated

The Group's operating revenue increased by RM36.4 million from RM480.2 million in YTD 2015 to RM516.6 million in YTD 2016. The increase was contributed by increases of RM27.3 million in GEP of Motor and Fire classes, RM5.6 million in GEP of Thailand and Middle East markets, RM1.5 million from share of MMIP's investment income and RM2.0 million from higher return on unit trust funds.

The increase of RM18.2 million in Group's PBT from RM76.5 million in YTD 2015 to RM94.7 million in YTD 2016 was mainly contributed by a turnaround in share of MMIP's results in the general insurance segment, wherein a share of profit of RM18.2 million was recorded in the current year versus a share of loss of RM0.8 million in the prior year.

General reinsurance

Operating revenue of this segment increased from RM127.8 million in YTD 2015 to RM129.1 million in YTD 2016. The increase of RM1.3 million was mainly contributed by the growth of RM5.6 million in GEP from Thailand and Middle East markets and RM0.9 million in investment income, offset by RM5.2 million decrease in GEP of Malaysia market.

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For the year ended 31 December 2016

18. Performance review (cont'd.)

18.2 Current year to date ("YTD 2016") against corresponding year to date ("YTD 2015") (contd.)

General reinsurance (cont'd.)

The decrease of RM6.1 million in this segment's profit from RM65.9 million to RM59.8 million was mainly due to higher facilitator fee, marketing costs and employee costs.

General insurance

There was an increase of RM31.0 million in operating revenue of this segment from RM413.4 million in YTD 2015 to RM444.4 million in YTD 2016. This was contributed by RM27.3 million in GEP mainly from the Motor and Fire classes, coupled with RM3.7 million increase in investment income from MMIP and returns from unit trust funds.

Profit of this segment increased by RM21.5 million from RM26.8 million in YTD 2015 to RM48.3 million in YTD 2016. The increase was mainly contributed by the increase in the share of MMIP's profits of RM19.1 million and the improvement in underwriting profits.

18.3 Current quarter ("4Q16") against preceding quarter in current year ("3Q16")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Dec 2016	30 Sept 2016	31 Dec 2016	30 Sept 2016	31 Dec 2016	30 Sept 2016	31 Dec 2016	30 Sept 2016	31 Dec 2016	30 Sept 2016	31 Dec 2016	30 Sept 2016
	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	9	13	4,891	4,662	15,539	16,362	115,027	105,039	-	-	135,466	126,076
Inter-segment	2,158	488	-	-	14,827	14,948	2,753	3,293	(19,738)	(18,729)	-	-
	2,167	501	4,891	4,662	30,366	31,310	117,780	108,332	(19,738)	(18,729)	135,466	126,076
Segment (loss)/profit	(3,841)	(4,908)	3,571	4,498	14,856	13,914	4,992	7,445	(2,766)	(4,248)	16,812	16,701

Group/Consolidated

The Group's operating revenue increased by RM9.4 million from RM126.1 million in 3Q16 to RM135.5 million in 4Q16. The increase arose from RM7.8 million in GEP mainly from Motor class, as well as RM1.6 million in investment income mainly from MMIP in the general insurance segment.

The Group's profit increased marginally from RM16.7 million in 3Q16 to RM16.8 million in 4Q16.

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For the year ended 31 December 2016

18. Performance review (cont'd.)

18.3 Current quarter ("4Q16") against preceding quarter in current year ("3Q16") (cont'd.)

General reinsurance

There was a decrease of RM0.9 million in operating revenue from RM31.3 million in 3Q16 to RM30.4 million in 4Q16, mainly due to lower GEP in Malaysia market.

The increase of RM0.9 million in this segment's profit from RM13.9 million to RM14.8 million was mainly due to decrease in net claims with the improvement in net claim ratio.

General insurance

Operating revenue of this segment increased from RM108.3 million in 3Q16 to RM117.8 million in 4Q16. The increase of RM9.5 million was contributed by RM8.7 million in GEP mainly from Motor class of business and RM0.8 million in investment income mainly from MMIP.

The decrease of RM2.5 million in this segment's profit from RM7.5 million to RM5.0 million was mainly due to decreases of RM1.2 million in share of MMIP's profits, RM1.0 million in fair value and realised gains and increase of RM0.3 million in fixed assets written off.

19. Commentary on prospects

The Group performed well in the financial year of 2016 by achieving a growth of 23.7% in profit before tax, as contributed by the improvement of 7.6% in operating revenues and 9.6% in net earned premiums.

Our Malaysian insurance entity had surpassed the average industry growth by delivering a 6% increase in the topline, arising mainly from Motor business. An improved level of underwriting margin was also recorded with more favourable claims experience in the year for the entity.

For the global travel reinsurance business, the demand was supported by the growth in destinations and passenger traffic for our airline partners. Numerous marketing initiatives were undertaken to boost premium growth and such efforts will continue increasingly into the following year for existing and new markets.

Our overseas ventures also delivered better underwriting results in the year as a result of more focused approach in marketing activities and portfolio management. Such activities will serve to sustain their continued contribution to the Group.

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For the year ended 31 December 2016

19. Commentary on prospects (cont'd.)

With our increased presence in digital accessibility and brand marketing, the Group is positive that our growth will continue with the emphasis in digital campaigns, product innovation and enhancement. The Group will continue to focus our efforts on growing the global travel business and the profitable general business lines in Malaysia. We will continue to invest in online and performance marketing initiatives to strengthen our position as a leading digital insurance company.

20. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial year ended 31 December 2016.

21. Status of corporate proposal

Conditional offer of Employees' Share Option Scheme ("ESOS")

On 17 November 2016, a conditional offer of 1,000,000 ESOS share has been made for a period of 5 years for Group Chief Executive Officer, at exercise price of RM1.45. This offer is subject to the approval of the shareholders of the Company at a general meeting of the Company to be convened at a later date.

Members' voluntary winding-up of a subsidiary, Tune Insurance (Labuan) Ltd ("TIL")

On 30 December 2016, the Board of Directors of the Company has announced that TIL has been placed under Members' Voluntary Winding-up pursuant to the provision of Section 131(1) of the Labuan Companies Act, 1990 applying Section 254(1)(b) of the Companies Act, 1965.

Mr. Yap Wai Bing of Messrs TMF Trust Labuan Limited, Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Federal Territory of Labuan has been appointed as liquidator of TIL.

The Company will continue to make the appropriate announcements when there are further developments on this matter.

22. Material litigation

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

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For the year ended 31 December 2016

23. Disclosure of nature of outstanding derivatives

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

24. Rationale for entering into derivatives

The Group did not enter into any derivatives during the year ended 31 December 2016 or the previous year ended 31 December 2015.

25. Risks and policies for derivatives

The Group did not enter into any derivatives during the year ended 31 December 2016 or the previous year ended 31 December 2015.

26. 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 31 December 2016 and 31 December 2015.

27. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group as at 31 December 2016 and 31 December 2015 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.

	As at 31 Dec 2016 RM'000	As at 31 Dec 2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	308,221	266,923
- Unrealised	649	(549)
	<u>308,870</u>	<u>266,374</u>
Less: Consolidation adjustments	(55,480)	(55,372)
Total retained earnings per statement of financial position	<u>253,390</u>	<u>211,002</u>

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For the year ended 31 December 2016

28. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2015 was not qualified.

By order of the Board

Jasmindar Kaur A/P Sarban Singh
Company Secretary