



**Tune Protect Group Berhad (948454-K)**

**Interim Financial Statements**

**For the Quarter and Six Months Ended 30 June 2017**

# Tune Protect Group Berhad (948454-K)

## Condensed consolidated statement of financial position As at 30 June 2017

	As at 30 Jun 2017 Unaudited RM'000	As at 31 Dec 2016 Audited RM'000
<b>Assets</b>		
Property and equipment	8,587	8,897
Investment property	2,912	2,926
Intangible assets	3,558	3,998
Investments in associates	54,119	52,328
Investments in a joint venture company	2,308	2,101
Goodwill	24,165	24,165
Deferred tax assets	1,360	2,683
Investments	643,529	693,593
Reinsurance assets	246,738	211,733
Insurance receivables	163,238	141,187
Other receivables	141,977	113,478
Cash and bank balances	33,159	9,713
<b>Total assets</b>	<b>1,325,650</b>	<b>1,266,802</b>
<b>Equity</b>		
Share capital	75,176	75,176
Share premium	173,343	173,343
Merger deficit	-	(13,838)
Available-for-sale ("AFS") reserves	(4,448)	(4,809)
Employee share option reserve	6,028	5,897
Foreign currency translation reserve	7,593	7,486
Retained earnings	225,402	253,390
Equity attributable to owners of the parent	483,094	496,645
Non-controlling interests	44,430	44,712
<b>Total equity</b>	<b>527,524</b>	<b>541,357</b>
<b>Liabilities</b>		
Insurance contract liabilities	616,010	562,858
Deferred tax liabilities	1,076	1,505
Insurance payables	140,987	108,614
Retirement benefits	357	418
Other payables	39,696	52,050
<b>Total liabilities</b>	<b>798,126</b>	<b>725,445</b>
<b>Total equity and liabilities</b>	<b>1,325,650</b>	<b>1,266,802</b>
<b>Net assets per ordinary share attributable to owners of the parent (RM)</b>	<b>0.64</b>	<b>0.66</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

## Tune Protect Group Berhad (948454-K)

### Condensed consolidated statement of comprehensive income For the period ended 30 June 2017

	Note	Current quarter		Cumulative quarters	
		3 months ended		6 months ended	
		30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
		RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>		<b>133,878</b>	<b>125,535</b>	<b>263,959</b>	<b>255,079</b>
Gross earned premiums		128,250	116,380	253,314	239,694
Premiums ceded to reinsurers		(47,306)	(33,496)	(95,261)	(74,171)
<b>Net earned premiums</b>		<b>80,944</b>	<b>82,884</b>	<b>158,053</b>	<b>165,523</b>
Investment income	7	5,628	9,155	10,645	15,385
Realised gains and losses		846	23	1,102	23
Fair value gains and losses		141	119	20	480
Fees and commission income		8,374	5,191	22,933	15,970
Other operating income		854	1,792	1,014	320
<b>Other revenue</b>		<b>15,843</b>	<b>16,280</b>	<b>35,714</b>	<b>32,178</b>
Gross claims paid		(43,109)	(48,212)	(85,283)	(89,083)
Claims ceded to reinsurers		15,075	23,877	30,180	46,068
Gross changes to contract liabilities		(9,133)	28,668	(24,076)	21,276
Change in contract liabilities ceded to reinsurers		(1,292)	(20,405)	8,804	(23,208)
<b>Net claims</b>		<b>(38,459)</b>	<b>(16,072)</b>	<b>(70,375)</b>	<b>(44,947)</b>
Fee and commission expenses		(20,010)	(20,489)	(41,972)	(43,198)
Management expenses		(26,537)	(27,596)	(54,987)	(48,780)
Other operating expenses		(6)	(645)	(156)	(1,980)
<b>Other expenses</b>		<b>(46,553)</b>	<b>(48,730)</b>	<b>(97,115)</b>	<b>(93,958)</b>
Share of results of associate		1,171	699	1,588	2,135
Share of results of a joint venture company		157	112	302	239
<b>Profit before taxation</b>	8	<b>13,103</b>	<b>35,173</b>	<b>28,167</b>	<b>61,170</b>
Taxation	9	342	(5,536)	(1,332)	(7,250)
<b>Net profit for the period</b>		<b>13,445</b>	<b>29,637</b>	<b>26,835</b>	<b>53,920</b>

## Tune Protect Group Berhad (948454-K)

### Condensed consolidated statement of comprehensive income (contd.)

For the period ended 30 June 2017

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
Note	RM'000	RM'000	RM'000	RM'000
<b>Other comprehensive (loss)/income:</b>				
<u>Items that may be subsequently reclassified to profit or loss</u>				
Changes in AFS financial assets, net:	(197)	44	(41)	(57)
- Gain/(loss) on fair value changes of AFS financial assets	33	60	329	(66)
- Realised gain transferred to profit or loss	(229)	-	(319)	-
- Deferred tax relating AFS financial assets	(1)	(16)	(51)	9
Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company	(896)	604	107	(1,602)
Other comprehensive (loss)/income for the period	<b>(1,093)</b>	<b>648</b>	<b>66</b>	<b>(1,659)</b>
<b>Total comprehensive income for the period</b>	<b>12,352</b>	<b>30,285</b>	<b>26,901</b>	<b>52,261</b>
<b>Profit attributable to:</b>				
Owners of the parent	13,003	26,468	24,942	49,096
Non-controlling interests	442	3,169	1,893	4,824
	<b>13,445</b>	<b>29,637</b>	<b>26,835</b>	<b>53,920</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	11,945	27,107	25,410	47,448
Non-controlling interests	407	3,178	1,491	4,813
	<b>12,352</b>	<b>30,285</b>	<b>26,901</b>	<b>52,261</b>
<b>Basic and diluted earnings per share attributable to owners of the parent (sen per share)</b>				
10	<b>1.73</b>	<b>3.52</b>	<b>3.32</b>	<b>6.53</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

## Tune Protect Group Berhad (948454-K)

### Condensed consolidated statement of changes in equity For the period ended 30 June 2017

	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
<b>At 1 January 2017</b>	75,176	173,343	(13,838)	(4,809)	5,897	7,486	253,390	496,645	44,712	541,357
Net profit for the period	-	-	-	-	-	-	24,942	24,942	1,893	26,835
Other comprehensive income/ (loss) for the period	-	-	-	361	-	107	-	468	(402)	66
Total comprehensive income for the period	-	-	-	361	-	107	24,942	25,410	1,491	26,901
Grant of equity-settled share options to employees	-	-	-	-	131	-	-	131	-	131
Dissolution of a subsidiary (Note 4)	-	-	13,838	-	-	-	(13,838)	-	(100)	(100)
Dividends on ordinary shares	-	-	-	-	-	-	(39,092)	(39,092)	(1,673)	(40,765)
<b>At 30 June 2017</b>	<b>75,176</b>	<b>173,343</b>	<b>-</b>	<b>(4,448)</b>	<b>6,028</b>	<b>7,593</b>	<b>225,402</b>	<b>483,094</b>	<b>44,430</b>	<b>527,524</b>
<b>At 1 January 2016</b>	75,176	173,343	(13,838)	(4,969)	4,705	5,777	211,002	451,196	40,424	491,620
Net profit for the period	-	-	-	-	-	-	49,096	49,096	4,824	53,920
Other comprehensive loss for the period	-	-	-	(46)	-	(1,602)	-	(1,648)	(11)	(1,659)
Total comprehensive (loss)/ income for the period	-	-	-	(46)	-	(1,602)	49,096	47,448	4,813	52,261
Grant of equity-settled share options to employees	-	-	-	-	854	-	-	854	-	854
Dividends on ordinary shares	-	-	-	-	-	-	(37,588)	(37,588)	-	(37,588)
<b>At 30 June 2016</b>	<b>75,176</b>	<b>173,343</b>	<b>(13,838)</b>	<b>(5,015)</b>	<b>5,559</b>	<b>4,175</b>	<b>222,510</b>	<b>461,910</b>	<b>45,237</b>	<b>507,147</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

## Tune Protect Group Berhad (948454-K)

### Condensed consolidated statement of cash flows For the period ended 30 June 2017

	Cumulative quarters 6 months ended	
	30 Jun 2017	30 Jun 2016
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	28,167	61,170
Adjustments for:		
Non-cash items	4,674	3,832
Non-operating activities items	(13,649)	(18,261)
Operating profit before working capital changes	19,192	46,741
Net change in operating assets	(30,208)	11,380
Net change in operating liabilities	24,739	(53,160)
Cash generated from operating activities	13,723	4,961
Net interest received	3,722	7,209
Net dividend received	6,040	7,049
Rental received	15	185
Retirement benefits paid	(61)	(27)
Income tax paid	(6,654)	(3,695)
Net cash generated from operating activities	16,785	15,682
<b>Cash flows from investing activities</b>		
Purchases of AFS financial assets	(395)	(2,178)
Purchase of fair value through profit or loss ("FVTPL") financial assets	(493,468)	(119,274)
Proceeds from disposal of AFS financial assets	129,348	4,000
Proceeds from disposal of FVTPL financial assets	-	87,586
Decrease in loans and receivables	410,617	9,052
Proceeds from disposal of property and equipment	8	-
Purchase of property and equipment	(786)	(964)
Purchase of intangible assets	(592)	(434)
Net cash generated from/(used in) investing activities	44,732	(22,212)
<b>Cash flows from financing activity</b>		
Dividends paid to equity holder	(39,092)	-
Dividends paid to non-controlling interests	(1,673)	-
Net cash used in financing activities	(40,765)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	20,752	(6,530)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(48)	(939)
<b>Cash and cash equivalents at beginning of period</b>	48,501	79,589
<b>Cash and cash equivalents at end of period</b>	69,205	72,120
<b>Cash and cash equivalents comprise:</b>		
Fixed and call deposits (with original maturity of less than three months) with licensed financial institutions	36,046	37,623
Cash and bank balances	33,159	34,497
	69,205	72,120

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

# Tune Protect Group Berhad (948454-K)

## Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

### 1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 30 June 2017, 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 2016.

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 2016.

### 2. Changes in accounting policies

#### 2.1 Adoption of Amendments to MFRSs and IC Interpretations

The accounting policies adopted are consistent with those of the previous financial year except with respect to the following amended MFRSs and Amendments to Standards which are mandatory for annual financial periods beginning on or after 1 January 2017 and which were adopted by the Company on 1 January 2017.

- Amendments to MFRS 12 *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*
- Amendments to MFRS 107 *Statements of Cash Flows - Disclosure Initiative*
- Amendments to MFRS 112 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

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

# Tune Protect Group Berhad (948454-K)

## Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

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

#### 2.2 Standards issued but not yet effective

At the date of authorisation of the condensed report, the following Standards and Amendments to 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 1 <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</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
Amendments to MFRS 140 <i>Transfer to Investment Property</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) and MFRS 128 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:

#### **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 plans to adopt the standard with effect from 1 January 2018.



# **Tune Protect Group Berhad (948454-K)**

## **Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017**

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

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

##### ***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 has decided to adopt MFRS 9 with effect from 1 January 2018.

### **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**

On 18 July 2017, the Board of Directors of the Company has announced that Tune Insurance (Labuan) Ltd ("TIL"), a subsidiary of the Company, incorporated in Labuan, which was placed under Members' Voluntary Winding-up pursuant to the provision of Section 131(1) of the Labuan Companies Act, 1990 applying Section 272 of the Companies Act, 1965 (now superseded by the Companies Act, 2016), was dissolved on 25 May 2017 pursuant to Section 272(5) of the Companies Act, 1965 (now superseded by the Companies Act, 2016). The Company was advised of the same by the appointed liquidator of TIL, Mr. Yap Wai Bing of Messrs TMF Trust Labuan Limited on 13 July 2017.

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

#### 5. Segment information

The Group is organised into business units based on their products and services, and has five 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		General insurance		Adjustments and eliminations		Consolidated	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 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
<b>Operating revenue</b>												
External	1,457	13	4,103	9,810	29,986	33,051	228,413	212,205	-	-	263,959	255,079
Inter-segment	52,817	43,303	-	-	23,817	34,332	2,281	6,092	(78,915)	(83,727)	-	-
	<u>54,274<sup>1</sup></u>	<u>43,316</u>	<u>4,103</u>	<u>9,810</u>	<u>53,803<sup>2</sup></u>	<u>67,383</u>	<u>230,694<sup>3</sup></u>	<u>218,297</u>	<u>(78,915)</u>	<u>(83,727)</u>	<u>263,959<sup>4</sup></u>	<u>255,079</u>
<b>Segment profit/(loss)</b>	<u>45,156</u>	<u>33,959</u>	<u>3,897</u>	<u>9,272</u>	<u>24,744</u>	<u>31,064</u>	<u>11,423</u>	<u>35,845</u>	<u>(57,053)</u>	<u>(48,970)</u>	<u>28,167</u>	<u>61,170</u>
<b>Segment assets</b>	<u>299,337</u>	<u>312,693</u>	<u>144,738</u>	<u>466,863</u>	<u>128,674</u>	<u>129,143</u>	<u>1,049,912</u>	<u>1,019,651</u>	<u>(297,011)</u>	<u>(662,136)</u>	<u>1,325,650</u>	<u>1,266,214</u>
<b>Segment liabilities</b>	<u>2,244</u>	<u>2,355</u>	<u>147</u>	<u>190</u>	<u>24,780</u>	<u>31,690</u>	<u>790,513</u>	<u>758,250</u>	<u>(19,558)</u>	<u>(33,418)</u>	<u>798,126</u>	<u>759,067</u>

<sup>1</sup> investment income of RM54,274k

<sup>2</sup> included investment income of RM1,223k

<sup>3</sup> included investment income of RM6,143k

<sup>4</sup> included investment income of RM10,645k

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

#### 6. Seasonality of operations

The Group is subject to seasonal fluctuations 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 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 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Rental income from investment property	6	92	15	184
Interest income:				
- AFS financial assets	134	303	331	605
- loan and receivables	1,964	4,473	4,839	9,092
- financial assets at FVTPL	-	1,112	-	2,206
- bank balances	38	-	91	-
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	-	2,769	(978)	2,769
Dividend income:				
- AFS financial assets	47	105	119	227
- financial assets at FVTPL	3,439	301	6,228	301
	5,628	9,155	10,645	15,384
Net accretion of discounts	-	-	-	1
	5,628	9,155	10,645	15,385

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	602	582	1,118	1,128
Depreciation of investment property	8	6	14	14
Amortisation of intangible assets	495	493	1,008	959
Allowance for impairment losses of insurance receivables	1,993	370	2,278	206

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

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

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Realised (gains)/losses on disposal of:				
- property and equipment	(4)	-	(8)	-
- a subsidiary (Note 4)	4	-	4	-
- financial assets at FVTPL	(617)	(23)	(869)	(23)
- AFS financial assets	(229)	-	(229)	-
Realised gains	(846)	(23)	(1,102)	(23)
Fair value gains on financial assets carried at FVTPL	(141)	(119)	(20)	(480)
(Gain)/loss on foreign exchange - realised	(208)	624	(500)	644
(Gain)/loss on foreign exchange - unrealised	(408)	(1,617)	105	1,314

#### 9. Taxation

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Income tax (benefit)/expense	(1,287)	5,277	336	7,381
Deferred tax expense/(benefit)	945	259	996	(131)
	(342)	5,536	1,332	7,250
Effective tax rate	-3%	16%	5%	12%

The Group's effective tax rate is lower than the statutory tax rate as its subsidiary based in Labuan 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 period.

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

#### 10. Earnings per share (contd.)

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 6 months ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
Profit net of tax attributable to owners of the parent (RM'000)	13,003	26,468	24,942	49,096
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 earnings per share computation ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	1.73	3.52	3.32	6.53

#### 11. Share capital and share premium

During the three months ended 30 June 2017, there were no movements in share capital and share premium.

#### 12. Dividends

The final single tier dividend of 5.2 sen per ordinary share on 751,759,980 ordinary shares for the financial year ended 31 December 2016 amounting to RM39,091,519 was approved by shareholders on 22 May 2017 and paid on 15 June 2017.

No interim dividend has been declared for the financial period ended 30 June 2017.

# Tune Protect Group Berhad (948454-K)

## Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

### 13. Fair value measurement

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- 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	Observable inputs (Level 2) RM'000	Unobservable inputs (Level 3) RM'000	Total RM'000
<b>Assets measured at fair value:</b>					
<b>30 June 2017</b>					
<b>AFS financial assets:</b>					
Unquoted debt securities in Malaysia	30 June 2017	-	9,975	-	9,975
<b>Financial assets at FVTPL:</b>					
Unquoted debt securities in Malaysia	30 June 2017	-	137,323	-	137,323
Quoted unit trust funds in Malaysia	30 June 2017	446,513	-	-	446,513
		<u>446,513</u>	<u>137,323</u>	<u>-</u>	<u>583,836</u>

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

#### 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
<b>31 December 2016</b>					
<b>AFS financial assets:</b>					
Unquoted debt securities in Malaysia	31 December 2016	-	19,762	-	19,762
Quoted unit 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>
<b>Financial assets at FVTPL:</b>					
Unquoted debt securities in Malaysia	31 December 2016	-	104,548	-	104,548
Quoted unit trust funds in Malaysia	31 December 2016	67,068	-	-	67,068
		<u>67,068</u>	<u>104,548</u>	<u>-</u>	<u>171,616</u>
<b>Assets for which fair values are disclosed:</b>					
<b>30 June 2017 / 31 December 2016</b>					
Investment property	31 December 2016	-	-	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.

#### Determination of fair value and fair value hierarchy

The fair values of the Group's 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 trust funds and collective investment schemes are determined by reference to published net asset values;

# Tune Protect Group Berhad (948454-K)

## Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

### 13. Fair value measurement (cont'd.)

#### Determination of fair value and fair value hierarchy (cont'd.)

- (iii) The fair value of investment property was estimated in-house based on the direct value comparison approach.
- (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>30 Jun</u> <u>2017</u> <u>RM'000</u>	<u>As at</u> <u>30 Jun</u> <u>2016</u> <u>RM'000</u>
Approved but not contracted for:		
- Property and equipment	<u>15,795</u>	<u>17,177</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.

### 16. Related party transactions

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

<b>Name of company</b>	<b>Relationship</b>
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



## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2017

#### 16. Related party transactions (cont'd.)

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2017 RM'000	30 Jun 2016 RM'000	30 Jun 2017 RM'000	30 Jun 2016 RM'000
<b>AAB</b>				
Fee and commission expenses	(2,522)	(3,899)	(5,188)	(8,088)
Data management fee	(15)	(19)	(31)	(40)
<b>AAX</b>				
Fee and commission expenses	(643)	(1,062)	(1,522)	(2,315)
<b>PTAA</b>				
Telemarketing commission expenses	(2)	(3)	(5)	(7)
Fee and commission expenses	(102)	(109)	(220)	(262)
<b>TAA</b>				
Telemarketing commission expenses	(13)	(38)	(32)	(54)
Fee and commission expenses	(90)	(99)	(174)	(201)
<b>TGSB</b>				
Royalty fee	(2,088)	(2,917)	(5,326)	(5,953)
Rental and utilities charges	(443)	-	(637)	-
<b>SP&amp;G</b>				
Brokerage fee	(873)	(169)	(1,015)	(512)

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

#### 17. Events after the reporting period

There were no significant events after the reporting period.

# Tune Protect Group Berhad (948454-K)

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

For the period ended 30 June 2017

### 18. Performance review

#### 18.1 Current quarter ("2Q17") against corresponding quarter in prior year ("2Q16")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 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					
<b>Operating revenue</b>												
External	621	8	1,561	4,841	16,143	15,760	115,553	104,926	-	-	133,878	125,535
Inter-segment	8,327	20,047	-	-	11,404	16,751	914	2,888	(20,645)	(39,686)	-	-
	8,948	20,055	1,561	4,841	27,547	32,511	116,467	107,814	(20,645)	(39,686)	133,878	125,535
<b>Segment profit/(loss)</b>	4,655	15,106	1,423	4,509	13,250	14,482	1,987	24,298	(8,212)	(23,222)	13,103	35,173

#### Group/Consolidated

The Group's operating revenue increased from RM125.5 million in 2Q16 to RM133.9 million in 2Q17. The increase of RM8.4 million was due to increase of RM11.9 million in gross earned premiums ("GEP") mainly from Motor class of general insurance business, offset by decrease of RM3.5 million in investment income of general insurance business mainly resulting from the decrease in share of MMIP investment income.

The decrease of RM22.1 million or 63% in Group's profit before tax ("PBT") from RM35.2 million in 2Q16 to RM13.1 million in 2Q17 was mainly due to increase in net claims mainly from Motor class of general insurance business, offset by minor improvement in share of profits of overseas ventures.

#### General reinsurance

Operating revenue of this segment decreased by RM5.0 million from RM32.5 million in 2Q16 to RM27.5 million in 2Q17, mainly due to lower GEP in Malaysia, Australia, and China markets.

The decrease of RM1.3 million in this segment's profit from RM14.5 million in 2Q16 to RM13.2 million in 2Q17, was due to decrease of RM4.6 million in NEP mainly in Malaysia, China and Australia markets, offset by decreases in net commission, net claims and management expenses totaling RM3.3 million.

#### General insurance

Operating revenue of this segment increased by RM8.7 million from RM107.8 million in 2Q16 to RM116.5 million in 2Q17, mainly contributed by improvement of RM12.1 million in GEP of Motor class, offset by decrease of RM3.4 million in investment income due to lower share of MMIP investment income and marginally lower interest income.

The decrease of RM22.3 million in this segment's profit from RM24.3 million in 2Q16 to RM2.0 million in 2Q17 was due to higher net claims of Motor class.

## Tune Protect Group Berhad (948454-K)

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

For the period ended 30 June 2017

#### 18. Performance review (cont'd.)

##### 18.2 Current year to date ("YTD 2017") against corresponding year to date ("YTD 2016")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 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
	Cumulative quarters 6 months ended											
Operating revenue												
External	1,457	13	4,103	9,810	29,986	33,051	228,413	212,205	-	-	263,959	255,079
Inter-segment	52,817	43,303	-	-	23,817	34,332	2,281	6,092	(78,915)	(83,727)	-	-
	54,274	43,316	4,103	9,810	53,803	67,383	230,694	218,297	(78,915)	(83,727)	263,959	255,079
Segment profit/(loss)	45,156	33,959	3,897	9,272	24,744	31,064	11,423	35,845	(57,053)	(48,970)	28,167	61,170

#### Group/Consolidated

The Group's operating revenue increased by RM8.9 million from RM255.1 million in YTD 2016 to RM264.0 million in YTD 2017, mainly due to increase of RM13.6 million in GEP of Motor and Offshore Oil-Related classes in general insurance business, offset by decrease in Travel class of Philippines, Australia, Indonesia and China markets in general reinsurance business. The GEP increase was then offset by decrease of RM4.7 million in investment income, mainly due to reversal of MMIP investment income in YTD 2017.

The Group's segment profit decreased from RM61.2 million in YTD 2016 to RM28.2 million in YTD 2017. The decrease of RM33.0 million was due mainly to:

- Decrease of RM7.5 million in NEP mainly due to decrease of RM13.3 million in Malaysia, Philippines, Australia, Indonesia and China markets of general reinsurance business, offset by increase of RM5.8 million mainly in Motor and Medical classes of general insurance business; and
- Increase of RM25.4 million in net claims of Motor and Medical classes of general insurance business.

#### General reinsurance

Operating revenue of this segment decreased from RM67.4 million in YTD 2016 to RM53.8 million in YTD 2017. The decrease of RM13.6 million was mainly due to lower GEP of Malaysia, Philippines, Australia, Indonesia and China markets, slightly offset by a marginal increase in investment income.

The decrease of RM6.4 million in this segment's profit from RM31.1 million in YTD 2016 to RM24.7 million in YTD 2017 was mainly due to decrease of RM13.3 million in NEP of Malaysia, Philippines, Australia, Indonesia and China markets, offset by decreases in net commission of RM2.3 million, net claims of RM3.2 million and foreign exchange losses of RM1.4 million.

## Tune Protect Group Berhad (948454-K)

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

For the period ended 30 June 2017

#### 18. Performance review (cont'd.)

#### 18.2 Current year to date ("YTD 2017") against corresponding year to date ("YTD 2016") (cont'

##### General insurance

There was an increase of RM12.4 million in operating revenue of this segment from RM218.3 million in YTD 2016 to RM230.7 million in YTD 2017, mainly contributed by increase of RM17.9 million in GEP of Motor and Offshore classes, but it was offset by decrease of RM5.5 million in investment income mainly due to reversal of MMIP investment income in YTD 2017.

Profit of this segment decreased by RM24.4 million from RM35.8 million in YTD 2016 to RM11.4 million in YTD 2017, mainly due to increase in net claims of Motor and Medical classes.

#### 18.3 Current quarter ("2Q17") against preceding quarter in current year ("1Q17")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated																																																					
	30 Jun 2017	31 Mar 2017	30 Jun 2017	31 Mar 2017	30 Jun 2017	31 Mar 2017	30 Jun 2017	31 Mar 2017	30 Jun 2017	31 Mar 2017	30 Jun 2017	31 Mar 2017																																																				
	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	621	836	1,561	2,542	16,143	13,843	115,553	112,860	-	-	133,878	130,081	Inter-segment	8,327	44,490	-	-	11,404	12,413	914	1,367	(20,645)	(58,270)	-	-		8,948	45,326	1,561	2,542	27,547	26,256	116,467	114,227	(20,645)	(58,270)	133,878	130,081	Segment profit/(loss)	4,655	40,501	1,423	2,474	13,250	11,494	1,987	9,436	(8,212)	(48,841)	13,103	15,064
External	621	836	1,561	2,542	16,143	13,843	115,553	112,860	-	-	133,878	130,081	Inter-segment	8,327	44,490	-	-	11,404	12,413	914	1,367	(20,645)	(58,270)	-	-		8,948	45,326	1,561	2,542	27,547	26,256	116,467	114,227	(20,645)	(58,270)	133,878	130,081	Segment profit/(loss)	4,655	40,501	1,423	2,474	13,250	11,494	1,987	9,436	(8,212)	(48,841)	13,103	15,064													
Inter-segment	8,327	44,490	-	-	11,404	12,413	914	1,367	(20,645)	(58,270)	-	-		8,948	45,326	1,561	2,542	27,547	26,256	116,467	114,227	(20,645)	(58,270)	133,878	130,081	Segment profit/(loss)	4,655	40,501	1,423	2,474	13,250	11,494	1,987	9,436	(8,212)	(48,841)	13,103	15,064																										
	8,948	45,326	1,561	2,542	27,547	26,256	116,467	114,227	(20,645)	(58,270)	133,878	130,081	Segment profit/(loss)	4,655	40,501	1,423	2,474	13,250	11,494	1,987	9,436	(8,212)	(48,841)	13,103	15,064																																							
Segment profit/(loss)	4,655	40,501	1,423	2,474	13,250	11,494	1,987	9,436	(8,212)	(48,841)	13,103	15,064																																																				

##### Group/Consolidated

The Group's operating revenue increased from RM130.1 million in 1Q17 to RM133.9 million in 2Q17. The increase of RM3.8 million was due to increase of RM3.2 million in GEP from the Philippines and Middle East markets in general reinsurance business and increase of RM0.6 million in investment income, mainly due to reversal of MMIP investment income in 1Q17.

There was a decrease of RM2.0 million in Group's segment profit, from RM15.1 million in 1Q17 to RM13.1 million in 2Q17, due mainly to increases in net commissions mainly from general insurance business.

##### General reinsurance

Operating revenue of this segment increased from RM26.3 million in 1Q17 to RM27.5 million in 2Q17. The increase of RM1.2 million was mainly contributed by higher GEP from Philippines and Middle East markets.

The minimal increase of RM1.8 million in this segment's profit was mainly contributed by the increase in NEP of Philippines and Middle East markets.

## **Tune Protect Group Berhad (948454-K)**

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

**For the period ended 30 June 2017**

#### **18. Performance review (cont'd.)**

##### **18.3 Current quarter ("2Q17") against preceding quarter in current year ("1Q17")**

###### **General insurance**

There was an increase of RM2.2 million in operating revenue of this segment from RM114.2 million in 1Q17 to RM116.4 million in 2Q17, due to minimal increase of RM0.9 million in GEP and RM1.3 million in investment income.

Profit of this segment decreased by RM7.4 million from RM9.4 million in 1Q17 to RM2.0 million in 2Q17, mainly due to increase in net claims of Motor class and decrease in realised gains and fair value gains on investments.

#### **19. Commentary on prospects**

For the global Travel business, a number of pricing and marketing initiatives have been rolled out which are expected to gain traction in the topline in the second half of the year. In addition to bundled products and dynamic pricing, new products such as annual plans and migrant plans are scheduled to be launched later in the year. We also expect to formalise a new partnership with an ASEAN airline, bringing us closer to becoming a leading Travel insurer in the region.

To manage the profitability of the general insurance business, continuous efforts are ongoing to address the high claims from Motor class. With the intensified competition on the back of the liberalisation of Motor and Fire businesses, our strategies for the coming months will concentrate on providing further online accessibility and product differentiation via risk-adjusted pricing.

As a Group, we will continue to invest in technology to provide excellent customer experience through process improvements, delivering on our promise of making insurance easy. We will further invest in human capital and bring on board new talent paramount to enable our success. We remain steadfast in delivering long-term value based on our three strategic pillars of product innovation and differentiation, widening distribution channels and expanding reach, and delivering exceptional customer experience.

#### **20. Profit forecast or profit guarantee**

The Group did not issue any profit forecast or profit guarantee for the financial period ending 30 June 2017.

#### **21. Status of corporate proposal**

There were no corporate proposals at the date of this report.

## Tune Protect Group Berhad (948454-K)

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

For the period ended 30 June 2017

#### 22. Material litigation

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

#### 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 derivative transactions during the period ended 30 June 2017 or the previous year ended 31 December 2016.

#### 25. Risks and policies for derivatives

The Group did not enter into any derivative transactions during the period ended 30 June 2017 or the previous year ended 31 December 2016.

#### 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 30 June 2017 and 31 December 2016.

#### 27. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group as at 30 June 2017 and 31 December 2016 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<u>As at</u> <u>31 Mar</u> <u>2017</u> <u>RM'000</u>	<u>As at</u> <u>31 Dec</u> <u>2016</u> <u>RM'000</u>
Total retained earnings of the Company and its subsidiaries:		
- Realised	293,634	308,221
- Unrealised	(195)	649
	<u>293,439</u>	<u>308,870</u>
Less: Consolidation adjustments	<u>(68,037)</u>	<u>(55,480)</u>
Total retained earnings as per statement of financial position	<u>225,402</u>	<u>253,390</u>

## **Tune Protect Group Berhad (948454-K)**

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

**For the period ended 30 June 2017**

### **28. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2016 was not qualified.

#### **By order of the Board**

Jasmindar Kaur A/P Sarban Singh  
Company Secretary