Tune Protect Group Berhad (948454-K)

Interim Financial Statements

For the Quarter and Twelve Months Ended 31 December 2017

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of financial position
As at 31 December 2017

	As at 31 Dec 2017 Unaudited RM'000	As at 31 Dec 2016 Audited RM'000
Assets		
Property and equipment	8,409	8,897
Investment property	2,899	2,926
Intangible assets	2,866	3,998
Investment in an associate	55,471	52,328
Investment in a joint venture company	2,842	2,101
Goodwill	24,165	24,165
Deferred tax assets	1,340	2,683
Investments	707,513	693,593
Reinsurance assets	268,937	211,733
Insurance receivables	129,864	141,187
Other receivables	103,541	113,478
Cash and bank balances	7,453	9,713
Total assets	**1,315,300**	**1,266,802**
Equity		
Share capital	248,519	75,176
Share premium	-	173,343
Merger deficit	-	(13,838)
Available-for-sale ("AFS") reserves	(4,275)	(4,809)
Employee share option reserve	4,998	5,897
Foreign currency translation reserve	6,716	7,486
Retained earnings	246,487	253,390
Equity attributable to owners of the parent	502,445	496,645
Non-controlling interests	46,534	44,712
Total equity	**548,979**	**541,357**
Liabilities		
Insurance contract liabilities	617,221	562,858
Deferred tax liabilities	1,282	1,505
Insurance payables	99,326	108,614
Retirement benefits	738	418
Other payables	47,754	52,050
Total liabilities	**766,321**	**725,445**
Total equity and liabilities	**1,315,300**	**1,266,802**
Net assets per ordinary share attributable to owners of the parent (RM)	**0.67**	**0.66**

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 year ended 31 December 2017

	Note	Current quarter 3 months ended		Cumulative quarters 12 months ended	
		31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
		RM'000	RM'000	RM'000	RM'000
Operating revenue		**138,522**	**135,466**	**542,598**	**516,621**
Gross earned premiums		130,434	127,226	515,284	486,345
Premiums ceded to reinsurers		(49,641)	(42,480)	(193,954)	(153,327)
Net earned premiums		**80,793**	**84,746**	**321,330**	**333,018**
Investment income	7	8,088	8,240	27,314	30,276
Realised gains and losses		335	(15)	1,508	48
Fair value gains and losses		(173)	(1,153)	920	(242)
Fees and commission income		9,406	6,814	40,677	28,966
Other operating income		471	3,991	2,124	4,989
Other revenue		**18,127**	**17,877**	**72,543**	**64,037**
Gross claims paid		(59,768)	(47,549)	(186,163)	(177,196)
Claims ceded to reinsurers		20,557	11,773	61,330	73,088
Gross change to contract liabilities		(15,601)	(3,865)	(51,938)	29,079
Change in contract liabilities ceded to reinsurers		18,030	2,520	36,054	(38,181)
Net claims		**(36,782)**	**(37,121)**	**(140,717)**	**(113,210)**
Fee and commission expenses		(18,179)	(21,145)	(80,502)	(85,729)
Management expenses		(34,509)	(29,064)	(121,435)	(107,090)
Other operating expenses		(1,933)	297	(2,821)	(370)
Other expenses		**(54,621)**	**(49,912)**	**(204,758)**	**(193,189)**
Share of results of an associate		1,055	432	3,504	2,808
Share of results of a joint venture company		289	790	996	1,219
Profit before taxation	8	8,861	16,812	52,898	94,683
Taxation	9	391	514	(2,880)	(8,098)
Net profit for the period		**9,252**	**17,326**	**50,018**	**86,585**

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of comprehensive income (cont'd.)
For the year ended 31 December 2017

	Note	Current quarter 3 months ended		Cumulative quarters 12 months ended	
		31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss):					
Items that will not be subsequently reclassified to profit or loss					
Share of other comprehensive income of an associate		205	84	154	84
Items that may be subsequently reclassified to profit or loss					
Changes in AFS financial assets, net:		10	(37)	(16)	92
- Gains/(losses) on fair value changes of AFS financial assets		14	(14)	362	176
- Realised gains transferred to profit or loss		-	(29)	(319)	(29)
- Deferred tax relating to AFS financial assets		(4)	6	(59)	(55)
Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company		(1,023)	1,479	(770)	1,709
Other comprehensive (loss)/income for the period		**(808)**	**1,526**	**(632)**	**1,885**
Total comprehensive income for the period		**8,444**	**18,852**	**49,386**	**88,470**
Profit attributable to:					
Owners of the parent		8,351	16,544	46,027	79,976
Non-controlling interests		901	782	3,991	6,609
		9,252	**17,326**	**50,018**	**86,585**
Total comprehensive income attributable to:					
Owners of the parent		7,541	18,074	45,791	81,845
Non-controlling interests		903	778	3,595	6,625
		8,444	**18,852**	**49,386**	**88,470**
Basic and diluted earnings per share attributable to owners of the parent (sen per share)	10	**1.11**	**2.20**	**6.12**	**10.64**

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 year ended 31 December 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
At 1 January 2017	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	-	-	-	-	-	-	46,027	46,027	3,991	50,018
Other comprehensive income/(loss) for the period	-	-	-	534	-	(770)	-	(236)	(396)	(632)
Total comprehensive income/(loss) for the period	-	-	-	534	-	(770)	46,027	45,791	3,595	49,386
Grant of equity-settled share options to employees	-	-	-	-	(899)	-	-	(899)	-	(899)
Transition in accordance with Section 618(2) of the Companies Act, 2016 to non-par value regime on 31 January 2017 *	173,343	(173,343)	-	-	-	-	-	-	-	-
Dissolution of a subsidiary (Note 4)	-	-	13,838	-	-	-	(13,838)	-	(100)	(100)
Dividends on ordinary shares	-	-	-	-	-	-	(39,092)	(39,092)	(1,673)	(40,765)
At 31 December 2017	**248,519**	**-**	**-**	**(4,275)**	**4,998**	**6,716**	**246,487**	**502,445**	**46,534**	**548,979**
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 period	-	-	-	-	-	-	79,976	79,976	6,609	86,585
Other comprehensive income for the period	-	-	-	160	-	1,709	-	1,869	16	1,885
Total comprehensive income for the period	-	-	-	160	-	1,709	79,976	81,845	6,625	88,470
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)**	**(4,809)**	**5,897**	**7,486**	**253,390**	**496,645**	**44,712**	**541,357**

* Pursuant to Section 74 of the Companies Act, 2016 ("the Act"), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in Section 618 of the Act, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the said credit.

There is no impact on the number of the shares in issue or the relative entitlement of any of the members as a result of the transition. During the financial period, the Company has not utilised any credit in the share premium account which is now part of share capital.

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 year ended 31 December 2017

	Cumulative quarters 12 months ended	
	31 Dec 2017	**31 Dec 2016**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation	52,898	94,683
Adjustments for:		
Non-cash items	11,705	3,945
Non-operating activities items	(34,242)	(34,096)
Operating profit before working capital changes	30,361	64,532
Net change in operating assets	21,790	96,103
Net change in operating liabilities	(15,966)	(55,819)
Cash generated from operating activities	36,185	104,816
Net interest received	12,803	29,460
Net dividend received	-	1,320
Rental received	36	313
Retirement benefits paid	(7)	(103)
Income tax paid	(9,786)	(10,576)
Net cash generated from operating activities	39,231	125,230
Cash flows from investing activities		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(625,239)	(222,180)
Proceeds from disposal of AFS financial assets	16,896	12,173
Proceeds from disposal of FVTPL financial assets	177,508	155,639
Decrease/(increase) in loans and receivables	428,977	(58,233)
Proceeds from disposal of property and equipment	85	37
Purchase of property and equipment	(1,967)	(2,517)
Purchase of intangible assets	(1,363)	(1,493)
Net cash used in investing activities	(5,103)	(116,574)
Cash flows from financing activity		
Dividends paid to equity holders	(39,092)	(37,588)
Dividends paid to non-controlling interests	(1,673)	(2,337)
Net cash used in financing activities	(40,765)	(39,925)
Net decrease in cash and cash equivalents	(6,637)	(31,269)
Effect of exchange rate changes on cash and cash equivalents	(163)	181
Cash and cash equivalents at beginning of year	48,501	79,589
Cash and cash equivalents at end of year	41,701	48,501
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	34,248	38,788
Cash and bank balances	7,453	9,713
	41,701	48,501

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

Explanatory Notes Pursuant to MFRS 134
For the year ended 31 December 2017

1. Basis of preparation

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

2.2 Standards issued but not yet effective

The following are Standards, Amendments to Standards, 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 financial statements. The Group intends to adopt these Standards, Amendments to Standards, Interpretations and annual improvements to standards, if applicable, when they become effective:

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

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

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
MFRS 9 *Financial Instruments*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests In Associates and Joint Ventures*	1 January 2019
Annual improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures*	To be announced by MASB

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of 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. Except for hedge accounting, retrospective application is required, but restatement of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

MFRS 9 was issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The Group has adopted the Standard with effect from 1 January 2018.

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

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

MFRS 9 *Financial Instruments (cont'd.)*

The areas with expected significant impact from application of MFRS 9 are summarised below:

Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include the following:

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;

- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- A new asset category for non-traded equity investments measured at FVOCI is introduced;

- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, and have no impact on the classification and measurement of the Group's financial liabilities.

During 2017, the Group performed an impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity from the new classification criteria.

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

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

Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model (“ECL”) that replaces the incurred loss model under the current accounting standard. The Group is required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group. MFRS 9 has changed the Group’s current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

The Group is currently in the process of finalising the financial impacts of applying the ECL requirements of MFRS 9.

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 to annual periods beginning on 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 MFRS 139 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. Although the Group qualifies for the temporary exemptions under MFRS 9, the Group has not opted for any of the options available under this Amendment and has adopted MFRS 9 with effect from 1 January 2018.

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

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

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 was issued in 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the considerations to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group expects to apply MFRS 15 using the modified retrospective application. Given that insurance contracts are scoped out of MFRS 15, the Group expects the main impact of the new standard to be on the accounting for income from administrative and investment management services. As the operating revenue of the Group is mainly derived from insurance contract revenue and investment income, the Group does not expect the impact from adopting MFRS 15 to be significant.

MFRS 16 *Leases*

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 17 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is in the process of assessing the financial implications for adopting MFRS 16.

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

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

MFRS 17 *Insurance Contracts*

On 15 August 2017, MASB issued MFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2011. MFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and

- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with the option to apply a full retrospective, modified retrospective or fair value approach on transition. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17.

The Group intends to assess the operational and financial impacts in the financial year ending 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

(a) On 18 July 2017, the Board of Directors of the Company 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.

4. Changes in composition of the Group (cont'd.)

(b) Tune Insurance PCC Ltd ("TIPCCL") surrendered its Labuan captive insurance licence with effect from 3 October 2016. On 30 April 2017, TIPCCL has been placed under Members' Voluntary Winding-up pursuant to the provision of Section 131(1) of Labuan Companies Act, 1990 applying Section 439(1)(b) of the Companies Act, 2016.

As at the authorisation date of the financial statements, there has been no further development on the liquidation process pending final clearance from the authorities. The dissolution of TIPCCL is expected to be completed during the financial year ending 31 December 2018. As at 31 December 2017, the realisable net assets of TIPCCL amounted to RM610,000.

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
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	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 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
Operating revenue												
External	2,490	35	7,333	19,363	59,891	64,952	472,884	432,271	-	-	542,598	516,621
Inter-segment	52,817	45,949	-	-	49,870	64,107	4,602	12,138	(107,289)	(122,194)	-	-
	55,307[1]	45,984	7,333	19,363	109,761[2]	129,059	477,486[3]	444,409	(107,289)	(122,194)	542,598[4]	516,621
Segment profit	34,954	25,210	6,346	17,341	43,189	59,834	25,512	48,282	(57,103)	(55,984)	52,898	94,683
Segment assets	288,431	295,026	144,882	552,698	147,991	152,253	1,023,710	969,442	(289,714)	(702,617)	1,315,300	1,266,802
Segment liabilities	2,625	4,131	162	220	25,678	28,105	751,457	707,787	(13,601)	(14,798)	766,321	725,445

[1] includes investment income of RM55.305 million
[2] includes investment income of RM2.791 million
[3] includes investment income of RM19.302 million
[4] includes investment income of RM27.314 million

Explanatory Notes Pursuant to MFRS 134
For the year ended 31 December 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 12 months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Rental income from investment property	10	36	36	313
Interest income:				
- AFS financial assets	134	298	598	1,205
- loan and receivables	414	3,912	2,763	16,972
- financial assets at FVTPL	1,616	1,265	6,229	4,617
- bank balances	5	111	88	111
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	1,760	1,778	3,244	5,201
Dividend income:				
- AFS financial assets	-	72	119	373
- financial assets at FVTPL	4,149	767	14,237	1,482
	8,088	8,239	27,314	30,274
Net accretion of discounts	-	1	-	2
	8,088	8,240	27,314	30,276

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	586	462	2,348	2,174
Depreciation of investment property	7	6	27	28
Amortisation of intangible assets	580	895	2,004	2,379
Allowance for/(reversal of) impairment losses on insurance receivables	1,662	(252)	5,452	588
Write-off of property & equipment	5	312	5	312
Write-off of intangible assets	34	-	491	-

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Realised losses/(gains) on disposal of:				
- property and equipment	10	(2)	-	(13)
- a subsidiary (Note 4)	-	-	4	-
- financial assets at FVTPL	(345)	46	(1,283)	(6)
- AFS financial assets	-	(29)	(229)	(29)
Net realised (gains)/losses	(335)	15	(1,508)	(48)
Fair value losses/(gains) on financial assets carried at FVTPL	173	1,153	(920)	242
Gain on foreign exchange - realised	(24)	(2,180)	(860)	(1,543)
Loss/(gain) on foreign exchange - unrealised	1,902	(2,262)	2,277	(2,715)

9. Taxation

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Income tax	(709)	1,636	1,817	10,437
Deferred tax	318	(2,150)	1,063	(2,339)
	(391)	(514)	2,880	8,098
Effective tax rate	-4%	-3%	5%	9%

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 due to tax exempt income from collective investment schemes.

10. Earnings per share

Basic earnings per share is 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.

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 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Profit net of tax attributable to owners of the parent (RM'000)	8,351	16,544	46,027	79,976
Number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	1.11	2.20	6.12	10.64

11. Share capital

There were no issuances, cancellations, repurchases, resale and repayments of equity securities by the Company during the year other than the movement in share capital and share premium.

Pursuant to Section 74 of the Companies Act, 2016 ("the Act"), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the said credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of the transition. During the financial year, the Company has not utilised any credit in the share premium account which is now part of share capital.

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 year ended 31 December 2017.

Tune Protect Group Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134
For the year ended 31 December 2017

13. Fair value measurement

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

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 determines 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 provides an analysis of assets measured and/or disclosed at fair value on a recurring basis in accordance with 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
Assets measured at fair value:					
31 December 2017					
AFS financial assets:					
Unquoted debt securities in Malaysia	31 December 2017	-	10,008	-	10,008
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 December 2017	-	135,565	-	135,565
Quoted unit trust funds in Malaysia	31 December 2017	500,222	-	-	500,222
		500,222	135,565	-	635,787

13. Fair value measurement (cont'd.)

The following table provides an analysis of assets measured and/or disclosed at fair value on a recurring basis in accordance with the fair value hierarchy: (cont'd)

	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
Assets measured at fair value: (cont'd.)					
31 December 2016					
AFS financial assets:					
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
		6,980	19,762	-	26,742
Financial assets at FVTPL:					
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
		67,068	104,548	-	171,616
Assets for which fair values are disclosed:					
31 December					
Investment property	31 December 2017	-	-	2,850	2,850
	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 year. 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 unquoted corporate bonds are determined by reference to Bond Pricing Agency Malaysia.

13. Fair value measurement (cont'd.)

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

(ii) The fair value of investments in unit trust funds and collective investment schemes are determined by reference to published net asset values.

(iii) The fair value of investment property was estimated by an accredited independent valuers based on the market comparison approach method.

14. Capital commitments

	As at 31 Dec 2017 RM'000	As at 31 Dec 2016 RM'000
Capital expenditure:		
Approved but not contracted for:		
- Property and equipment	21,853	17,177

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 relationships 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

16. Related party transactions (cont'd.)

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Expenses:				
AAB				
Fee and commission expenses	(3,148)	(2,756)	(10,898)	(13,941)
Data management fee	(10)	(17)	(54)	(76)
AAX				
Fee and commission expenses	(816)	(960)	(3,014)	(4,188)
PTAA				
Telemarketing commission expenses	(3)	(3)	(12)	(14)
Fee and commission expenses	(120)	(93)	(423)	(451)
TAA				
Telemarketing commission expenses	(7)	(26)	(48)	(111)
Fee and commission expenses	(114)	(73)	(384)	(354)
TGSB				
Royalty fee	(1,589)	(2,146)	(8,679)	(11,145)
Rental and utilities charges	(465)	-	(1,522)	-
SP&G				
Brokerage fee	(123)	(235)	(1,206)	(894)

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 year

There were no significant events after the reporting year.

18. Performance review

18.1 Current quarter ("4Q17") against corresponding quarter in prior year ("4Q16")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 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
Operating revenue												
External	582	9	1,616	4,891	13,292	15,539	123,032	115,027	-	-	138,522	135,466
Inter-segment	-	2,158	-	-	14,358	14,827	1,196	2,753	(15,554)	(19,738)	-	-
	582	2,167	1,616	4,891	27,650	30,366	124,228	117,780	(15,554)	(19,738)	138,522	135,466
Segment (loss)/profit	(5,758)	(3,841)	1,064	3,571	8,177	14,856	5,205	4,992	173	(2,766)	8,861	16,812

Group/Consolidated

The Group's operating revenue increased from RM135.5 million in 4Q16 to RM138.5 million in 4Q17. The increase of RM3.0 million was due to:

- Increase of RM3.2 million in gross earned premiums ("GEP") mainly contributed by the increase in Fire class of general insurance business, offset by decreases in Marine and Personal Accident classes of general insurance business and Middle East market of general reinsurance business. This was then offset by:

- Decrease of RM0.2 million mainly in investment income of collective investment schemes.

The decrease of RM7.9 million or 44.0% in Group's profit before tax ("PBT") from RM16.8 million in 4Q16 to RM8.9 million in 4Q17 was mainly due to:

- Decrease of RM4.0 million in net earned premium ("NEP"), mainly from Middle East market of general reinsurance business and Motor class of general insurance business;

- Increase of RM5.4 million in management expenses mainly due to provision for impairment on receivables and administration expenses; and

- Decrease of RM0.5 million in share of profit of a joint venture company.

General reinsurance

Operating revenue of this segment decreased by RM2.7 million from RM30.4 million in 4Q16 to RM27.7 million in 4Q17, mainly due to reduction in GEP of Middle East market.

The decrease of RM6.7 million in this segment's profit from RM14.9 million in 4Q16 to RM8.2 million in 4Q17 was due mainly to a decrease in NEP mainly in Middle East market, coupled with higher administrative expenses, provision for doubtful debts and unrealised forex movements with the strengthening of MYR.

18. Performance review (cont'd.)

18.1 Current quarter ("4Q17") against corresponding quarter in prior year ("4Q16") (cont'd.)

General insurance

Operating revenue of this segment increased by RM6.4 million from RM117.8 million in 4Q16 to RM124.2 million in 4Q17, contributed by improvements of RM6.3 million in GEP mainly from Fire class and RM0.1 million in investment income.

The increase of RM0.2 million in this segment's profit from RM5.0 million in 4Q16 to RM5.2 million in 4Q17 was mainly due to an increase in fair value gains on investments.

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	
	Cumulative quarters 6 months ended											
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 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
Operating revenue												
External	2,490	35	7,333	19,363	59,891	64,952	472,884	432,271	-	-	542,598	516,621
Inter-segment	52,817	45,949	-	-	49,870	64,107	4,602	12,138	(107,289)	(122,194)	-	-
	55,307	45,984	7,333	19,363	109,761	129,059	477,486	444,409	(107,289)	(122,194)	542,598	516,621
Segment profit/(loss)	34,954	25,210	6,346	17,341	43,189	59,834	25,512	48,282	(57,103)	(55,984)	52,898	94,683

Group/Consolidated

The Group's operating revenue increased by RM26.0 million from RM516.6 million in YTD 2016 to RM542.6 million in YTD 2017, due to increase of RM36.7 million in GEP mainly contributed by Motor class in general insurance business, offset by decrease of RM7.8 million in Travel class of Australia, China and Philippines markets in general reinsurance business. The increase in GEP was then offset by decrease of RM3.0 million in investment income, mainly due to lower MMIP investment income.

The Group's segment profit decreased from RM94.7 million in YTD 2016 to RM52.9 million in YTD 2017. The decrease of RM41.8 million was due mainly to:

- Decrease of RM11.7 million in NEP mainly due to reduction of RM18.3 million in Malaysia, China, Philippines, Australia, Middle East and Indonesia markets of general reinsurance business, offset by increase of RM6.6 million mainly in Workers Compensation and Miscellaneous classes of general insurance business;

- Increase of RM23.3 million in net claims of Motor, Medical and Fire classes of general insurance business; and

- Increase in provision for impairment on receivables and employee costs totalling RM6.6 million.

18. Performance review (cont'd.)

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

General reinsurance

Operating revenue of this segment decreased from RM129.1 million in YTD 2016 to RM109.8 million in YTD 2017. The decrease of RM19.3 million was mainly due to reduction of RM19.7 million in GEP of Malaysia, Australia, China and Philippines markets, offset by a marginal increase of RM0.4 million in investment income.

The decrease of RM16.6 million in this segment's profit from RM59.8 million in YTD 2016 to RM43.2 million in YTD 2017 was mainly due to decrease of RM18.3 million in NEP of Malaysia, China, Philippines, Australia, Middle East and Indonesia markets, offset by decrease of RM1.3 million in net commission expenses and increase of RM0.4 million in investment income.

General insurance

There was an increase of RM33.1 million in operating revenue of this segment from RM444.4 million in YTD 2016 to RM477.5 million in YTD 2017, mainly contributed by increase of RM36.7 million in GEP mainly Motor class, offset by decrease of RM3.6 million in investment income, mainly due to lower MMIP investment income.

Profit of this segment decreased by RM22.8 million from RM48.3 million in YTD 2016 to RM25.5 million in YTD 2017, mainly due to increase in net claims of Motor and Medical classes.

18.3 Current quarter ("4Q17") against preceding quarter in current year ("3Q17")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	31 Dec 2017	30 Sept 2017	31 Dec 2017	30 Sept 2017	31 Dec 2017	30 Sept 2017	31 Dec 2017	30 Sept 2017	31 Dec 2017	30 Sept 2017	31 Dec 2017	30 Sept 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
Operating revenue												
External	582	451	1,616	1,614	13,292	16,613	123,032	121,439	-	-	138,522	140,117
Inter-segment	-	-	-	-	14,358	11,695	1,196	1,125	(15,554)	(12,820)	-	-
	582	451	1,616	1,614	27,650	28,308	124,228	122,564	(15,554)	(12,820)	138,522	140,117
Segment profit/(loss)	(5,758)	(4,444)	1,064	1,385	8,177	10,268	5,205	8,884	173	(223)	8,861	15,870

Group/Consolidated

The Group's operating revenue decreased from RM140.1 million in 3Q17 to RM138.5 million in 4Q17. The decrease of RM1.6 million was mainly due to:

- Decrease of RM1.1 million in GEP mainly in Travel class of Middle East market of general reinsurance business, offset by increase in Marine, Aviation and Offshore Oil classes of general insurance business; and

18. Performance review (cont'd.)

18.3 Current quarter ("4Q17") against preceding quarter in current year ("3Q17") (cont'd.)

Group/Consolidated (cont'd.)

- Decrease of RM0.5 million in investment income mainly from MMIP.

There was a decrease of RM7.2 million in Group's segment profit, from RM15.9 million in Q317 to RM8.7 million in 4Q17, mainly due to increase in net claims of Motor, Personal Accident and Fire classes in general insurance businesses.

General reinsurance

Operating revenue of this segment decreased from RM28.3 million in 3Q17 to RM27.7 million in 4Q17. The decrease of RM0.6 million was due to decrease of RM0.8 million in GEP mainly from Middle East market offset by increases in Malaysia and Thailand markets, and increase of RM0.2 million in investment income.

The decrease of RM2.1 million in this segment's profit was mainly due to decrease in NEP mainly from Middle East market, coupled with an increase in management expenses due to marketing cost.

General insurance

There was an increase of RM1.6 million in operating revenue of this segment from RM122.6 million in 3Q17 to RM124.2 million in 4Q17, due to increase of RM2.4 million in GEP of Travel Personal Accident class, mitigated by decrease of RM0.8 million in investment income mainly due to lower MMIP investment income.

Profit of this segment decreased by RM3.7 million from RM8.9 million in 3Q17 to RM5.2 million in 3Q17, mainly due to increase in net claims of Motor, Personal Accident and Fire classes.

19. Commentary on prospects

In 2017, the Group’s commitment to continuous improvement is driving its recovery journey where ongoing initiatives are put in place to bring results in the long-term. The increase in operating revenue with growth recorded by the General Insurance business and contribution from product bundling in the Digital Global Travel reinsurance business are signs that progression will continue on the building blocks built in 2017.

The General Insurance business finished the year with topline outpacing the growth of the industry. Under the new leadership team, strategic initiatives are laid out for 2018, which include affinity partnerships to acquire critical retail mass, innovative products to target profitable segments and segmentation of motor franchise business based on make and model.

19. Commentary on prospects (cont'd.)

Following the success of product bundling and dynamic pricing launched in 3Q17 for the Digital Global Travel reinsurance business, further improvement in the algorithms with different attributes will be implemented this year to enhance personalisation model that will encourage greater take-up rates. Product bundling is also expected to continue its positive topline progression.

Moving forward to 2018, the focus on digitisation will continue with the Group's initiative to invest in a Peer-to-Peer Insuretech company and form other strategic alliances with digital affiliates, in addition to strengthening of capabilities by introducing new e-tools across all distribution channels to elevate overall customer experience.

20. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial year ended 31 December 2017.

21. Status of corporate proposal

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

22. Material litigation

On 22 February 2017, the general insurance subsidiary, TIMB, received a notice from the Malaysia Competition Commission (“MyCC”) concerning a proposed preliminary decision (“Proposed Decision”) which found that TIMB and 21 other general insurance companies in Malaysia who are members of the General Insurance Association of Malaysia (“PIAM”) had purportedly infringed one of the prohibitions under the Competitions Act 2010 (“CA”) in Malaysia.

The Proposed Decision by MyCC is pursuant to the investigation outcome in respect of the agreement entered into between PIAM and the Federation of Automobile Workshop Owners’ Association of Malaysia (“FAWOAM”) concerning the trade discount rates applicable to parts for certain types of vehicles and agreed labour rates for PIAM Approved Repairer’s Scheme workshops. On the directive of Bank Negara Malaysia, PIAM engaged with FAWOAM to resolve the issues concerning parts trade discounts and the hourly labour rates and subsequently approved the agreed rates via the issuance of a members’ circular which was subsequently adopted by PIAM members including TIMB.

22. Material litigation (cont'd.)

The Proposed Decision suggests a financial penalty of RM3,608,530 on the part of TIMB and a consolidated amount of RM213,454,814 on all the 22 members of PIAM. The Proposed Decision is not conclusive as PIAM members have been given the opportunity to make its written and oral representations with the MyCC. On 5 April 2017, TIMB filed its written representations with the MyCC to defend its position. On 29 January 2018, TIMB, represented by its legal counsels made its oral representations to the MyCC to further fortify its written representations. TIMB in consultation with its legal counsels, will take all necessary and appropriate actions to defend its position that it has not infringed Section 4(2) of the CA and at all times maintain that TIMB acted in accordance with the directives issued.

23. Disclosure of nature of outstanding derivatives

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

24. Rationale for entering into derivatives

The Group did not enter into any derivative transactions during the year ended 31 December 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 year ended 31 December 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 31 December 2017 and 31 December 2016.

27. 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

Vilasini Devi A/P Govendan Kutty
Company Secretary