Tune Protect Group Berhad (948454-K)

Interim Financial Statements

For the Quarter and Three Months Ended 31 March 2018

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of financial position
As at 31 March 2018

	As at 31 Mar 2018 Unaudited RM'000	As at 31 Dec 2017 Audited RM'000
Assets		
Property and equipment	8,035	8,409
Investment property	2,892	2,899
Intangible assets	2,591	2,866
Investment in an associate	55,930	55,471
Investment in a joint venture company	907	2,842
Goodwill	24,165	24,165
Deferred tax assets	2,828	1,245
Investments	697,144	707,513
Reinsurance assets	323,624	268,256
Insurance receivables	208,360	130,545
Other receivables	110,204	105,581
Cash and bank balances	38,695	7,453
Total assets	**1,475,375**	**1,317,245**
Equity		
Share capital	248,519	248,519
Available-for-sale ("AFS") reserves	-	(4,306)
Employee share option reserve	4,971	4,998
Foreign currency translation reserve	5,491	6,716
Other reserve	324	324
Retained earnings	256,501	246,763
Equity attributable to owners of the parent	515,806	503,014
Non-controlling interests	47,739	46,063
Total equity	**563,545**	**549,077**
Liabilities		
Insurance contract liabilities	671,428	617,221
Deferred tax liabilities	1,001	1,509
Insurance payables	193,087	99,326
Retirement benefits	738	738
Other payables	45,576	49,374
Total liabilities	**911,830**	**768,168**
Total equity and liabilities	**1,475,375**	**1,317,245**
Net assets per ordinary share attributable to owners of the parent (RM)	**0.69**	**0.67**

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of comprehensive income
For the period ended 31 March 2018

		Current quarter 3 months ended	
		31 Mar 2018	31 Mar 2017
	Note	RM'000	RM'000
Operating revenue		**142,957**	**130,081**
Gross earned premiums		136,421	125,064
Premiums ceded to reinsurers		(62,683)	(47,955)
Net earned premiums		**73,738**	**77,109**
Investment income	7	6,536	5,017
Realised gains and losses		1,068	256
Fair value gains and losses		(1,689)	(121)
Fees and commission income		17,482	14,559
Other operating income		157	570
Other revenue		**23,554**	**20,281**
Gross claims paid		(45,973)	(42,174)
Claims ceded to reinsurers		16,641	15,105
Gross change to contract liabilities		(24,505)	(14,943)
Change in contract liabilities ceded to reinsurers		27,793	10,096
Net claims		**(26,044)**	**(31,916)**
Fee and commission expenses		(26,430)	(21,962)
Management expenses		(24,580)	(28,450)
Other operating expenses		(783)	(560)
Other expenses		**(51,793)**	**(50,972)**
Share of results of an associate		520	417
Share of results of a joint venture company		270	145
Profit before taxation	8	20,245	15,064
Taxation	9	(1,997)	(1,674)
Net profit for the period		**18,248**	**13,390**

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of comprehensive income (cont'd.)
For the period ended 31 March 2018

		Current quarter 3 months ended	
		31 Mar 2018	**31 Mar 2017**
	Note	**RM'000**	**RM'000**
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss			
Changes in AFS financial assets, net:		-	156
- Gains on fair value changes of AFS financial assets		-	296
- Realised gains transferred to profit or loss		-	(90)
- Deferred tax relating to AFS financial assets		-	(50)
Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company		(1,225)	1,003
Other comprehensive (loss)/income for the period		**(1,225)**	**1,159**
Total comprehensive income for the period		**17,023**	**14,549**
Profit attributable to:			
Owners of the parent		16,572	11,939
Non-controlling interests		1,676	1,451
		18,248	**13,390**
Total comprehensive income attributable to:			
Owners of the parent		15,347	13,465
Non-controlling interests		1,676	1,084
		17,023	**14,549**
Basic and diluted earnings per share attributable to owners of the parent (sen per share)	10	**2.20**	**1.59**

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of changes in equity
For the period ended 31 March 2018

	Attributable to the owners of the parent										
	Non-distributable							Distributable			
	Share capital	Share premium	Merger deficit	Available-for-sale reserves	Other reserve	Employee share option reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	248,519	-	-	(4,306)	324	4,998	6,716	246,763	503,014	46,063	549,077
Changes on initial application of MFRS 9	-	-	-	4,306	-	-	-	(6,834)	(2,528)	-	(2,528)
At 1 January 2018 (restated)	248,519	-	-	-	324	4,998	6,716	239,929	500,486	46,063	546,549
Net profit for the period	-	-	-	-	-	-	-	16,572	16,572	1,676	18,248
Other comprehensive loss for the period	-	-	-	-	-	-	(1,225)	-	(1,225)	-	(1,225)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(1,225)	16,572	15,347	1,676	17,023
Grant of equity-settled share options to employees	-	-	-	-	-	(27)	-	-	(27)	-	(27)
At 31 March 2018	**248,519**	**-**	**-**	**-**	**324**	**4,971**	**5,491**	**256,501**	**515,806**	**47,739**	**563,545**
At 1 January 2017	75,176	173,343	(13,838)	(4,979)	170	5,897	7,486	253,390	496,645	44,712	541,357
Net profit for the period	-	-	-	-	-	-	-	11,939	11,939	1,451	13,390
Other comprehensive income/(loss) for the period	-	-	-	523	-	-	1,003	-	1,526	(367)	1,159
Total comprehensive income for the period	-	-	-	523	-	-	1,003	11,939	13,465	1,084	14,549
Grant of equity-settled share options to employees	-	-	-	-	-	97	-	-	97	-	97
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)	-	-	-	-	-	-	-	-	-
At 31 March 2017	**248,519**	**-**	**(13,838)**	**(4,456)**	**170**	**5,994**	**8,489**	**265,329**	**510,207**	**45,796**	**556,003**

* 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 2017.

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of cash flows
For the period ended 31 March 2018

	Cumulative quarters 3 months ended	
	31 Mar 2018	**31 Mar 2017**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation	20,245	15,064
Adjustments for:		
Non-cash items	(590)	1,895
Investment income	(6,705)	(5,710)
Operating profit before working capital changes	12,950	11,249
Net change in operating assets	(83,728)	(47,450)
Net change in operating liabilities	86,354	58,303
Cash generated from operating activities	15,576	22,102
Net interest received	2,223	1,523
Net dividend received	5,463	2,836
Rental received	7	9
Retirement benefits paid	-	(3)
Income tax paid	(1,561)	(3,734)
Net cash generated from operating activities	21,708	22,733
Cash flows from investing activities		
Purchases of AFS financial assets	-	(348)
Purchases of fair value through profit or loss ("FVTPL") financial assets	(9,431)	(551,468)
Proceeds from disposal of AFS financial assets	-	122,459
Proceeds from disposal of FVTPL financial assets	44,868	-
Decrease in loans and receivables	11,478	419,223
Proceeds from disposal of property and equipment	-	4
Purchase of property and equipment	(72)	(256)
Purchase of intangible assets	(43)	(252)
Net cash generated from/(used in) investing activities	46,800	(10,638)
Net increase in cash and cash equivalents	68,508	12,095
Effect of exchange rate changes on cash and cash equivalents	(494)	(11)
Cash and cash equivalents at beginning of year	41,701	48,501
Cash and cash equivalents at end of year	109,715	60,585
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	71,020	52,163
Cash and bank balances	38,695	8,422
	109,715	60,585

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 31 March 2018, 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 2017.

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 2017.

2. Changes in accounting policies

2.1 Adoption of MFRSs, Amendments to MFRSs and IC Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following Standards, Amendments to Standards and Interpretation which are mandatory for annual financial periods beginning on or after 1 January 2018 and which were adopted by the Group on 1 January 2018.

Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
MFRS 9 *Financial Instruments*
MFRS 15 *Revenue from Contracts with Customers*
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*
Amendments to MFRS 140 *Transfers of Investment Property*
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of the above pronouncements did not have any material impact to the current and prior period financial statements of the Group except as discussed below:

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

2.1 Adoption of MFRSs, Amendments to MFRSs and IC Interpretations (cont'd.)

MFRS 9 *Financial Instruments*

The areas with 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 assets. Key changes include the following:

- Three (3) principal classifications categories for financial assets are introduced:
  - Amortised Cost ("AC")
  - Fair Value through Other Comprehensive Income ("FVOCI"); and
  - Fair Value through Profit or Loss ("FVTPL")
- The held-to-maturity (“HTM”), available-for-sale (“AFS”) and loans and receivables ("LAR") asset categories will be removed;
- A new asset category measured at FVOCI introduced 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 had an effect on the classification and measurement of the Group's financial assets, and had no impact on the classification and measurement of the Group's financial liabilities.

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's financial assets as at 1 January 2018.

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

2.1 Adoption of MFRSs, Amendments to MFRSs and IC Interpretations (cont'd.)

MFRS 9 *Financial Instruments* (con'td.)

Classification and measurement (cont'd.)

Financial Assets	Original classification under MFRS 139	Original carrying amount RM'000	New classification under MFRS 9	New carrying amount RM'000
Investments				
- Debt securities	AFS	10,008	FVTPL	10,008
- Debt securities	FVTPL	135,576	FVTPL	135,576
- Unit trust funds	FVTPL	500,211	FVTPL	500,211
- Loans and deposits with financial institutions	LAR	61,718	AC	61,718
Insurance receivables	LAR	130,545	AC	128,017
Other receivables (net of prepayments and tax recoverable)	LAR	78,840	AC	78,840
Cash and bank balances	LAR	7,453	AC	7,453

The Group had investments in debt securities classified as available for sale with a fair value of RM10,008,000. Under MFRS 9, the Group has elected to designate this investment to be measured at FVTPL. Other than the above, there were no change to the investments classification which will continue to be carried at FVTPL or AC.

Following the reclassification of all AFS financial assets to FVTPL, all AFS reserves as at 31 December 2017 of RM4,306,000 have been reclassified to the opening balance of retained earnings on 1 January 2018.

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, which will include insurance receivables, 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 the requirements for individual and collective assessment and provisioning.

The following disclosure shows the closing impairment allowance for financial assets in accordance with the requirements of MFRS 139 as at 31 December 2017 to the opening ECL allowance determined in accordance with the requirements of MFRS 9 as at 1 January 2018.

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

2.1 Adoption of MFRSs, Amendments to MFRSs and IC Interpretations (cont'd.)

MFRS 9 *Financial Instruments* (con'td.)

Impairment (cont'd.)

	MFRS 139 Allowance as at 31 December 2017 RM'000	Recognition of ECL under MFRS 9 RM'000	MFRS 9 Allowance as at 1 January 2018 RM'000
Impairment loss for insurance receivables	14,616	2,528	17,144

The impact above is 1% of the opening retained earnings as at 1 January 2018.

Impact of the adoption of MFRS 9

The following disclosure summarises the impact, net of tax, of transition to MFRS 9 on the opening AFS reserve and retained earnings on 1 January 2018. There was no impact on other components of equity.

Statement of financial position	As reported as at 31 December 2017 RM'000	Adjustments due to adoption of MFRS 9 RM'000	Adjusted opening balance as at 1 January 2018 RM'000
Assets			
Insurance receivables	130,545	(2,528)	128,017
Equity			
AFS reserves	(4,306)	4,306	-
Retained earnings	246,763	(6,834)	239,929

The total adjustment, net of tax to the opening balance of the Group's retained earnings as at 1 January 2018 is RM6,834,000. The components of the adjustments are as follows:

- A reclassification of RM4,306,000 from AFS reserves to retained earnings arising from the classification of financial assets from AFS to FVTPL; and

- A decrease of RM2,528,000, net of tax in retained earnings due to additional impairment losses recognised under the ECL model.

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

2.1 Adoption of MFRSs, Amendments to MFRSs and IC Interpretations (cont'd.)

MFRS 9 *Financial Instruments* (con'td.)

Impact of the adoption of MFRS 9 (cont'd.)

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented for 2018 under MFRS 9.

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 supersedes 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 applied MFRS 15 using the modified retrospective application. As a significant portion of revenue of the Group are derived from insurance contract revenue and investment income which are out of scope of MFRS 15, the impact from adopting MFRS 15 is not expected to be significant.

2.2 Standards issued but not yet effective

The following are Standards, Amendments to Standards, Interpretation and annual improvements to standards issued by the MASB, but not yet effective, up to the date of issuance of the Group's interim financial statements. The Group intends to adopt these Standards, Amendments to Standards, Interpretations and annual improvements to standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
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
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019

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**
Annual improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
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 of the Group in the period of initial application except for those discussed below:

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 financial effects arising from the adoption of this standard are still being assessed by the Group.

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 is in the process of assessing the operational and financial impacts for adopting MFRS 17.

3. Change in estimates

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

4. Changes in composition of the Group

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.

On 13 April 2018, TIPCCL received confirmation from the Labuan Financial Services Authority ("LFSA") that the winding-up of TIPCCL had been completed and that TIPCCL will be dissolved effective from 12 July 2018.

Tune Protect Group Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134
For the period ended 31 March 2018

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 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	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
Operating revenue												
External	527	836	1,586	2,542	16,203	13,843	124,641	112,860	-	-	142,957	130,081
Inter-segment	30,452	44,490	-	-	11,618	12,413	984	1,367	(43,054)	(58,270)	-	-
	30,979 [1]	45,326	1,586	2,542	27,821 [2]	26,256	125,625 [3]	114,227	(43,054)	(58,270)	142,957 [4]	130,081
Segment profit	26,497	40,501	1,529	2,474	11,967	11,494	11,543	9,436	(31,291)	(48,841)	20,245	15,064
Segment assets	313,569	335,042	145,328	134,235	125,404	118,398	1,188,414	1,101,879	(297,339)	(288,654)	1,475,375	1,400,900
Segment liabilities	1,322	3,554	63	153	22,942	27,251	906,991	834,561	(19,488)	(20,622)	911,830	844,897

[1] includes investment income of RM30.979 million
[2] includes investment income of RM0.866 million
[3] includes investment income of RM4.541 million
[4] includes investment income of RM6.536 million

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	
	31 Mar 2018	31 Mar 2017
	RM'000	RM'000
Rental income from investment property	7	9
Interest income:		
- AFS financial assets	-	197
- financial assets at amortised cost	2,080	2,875
- financial assets at FVTPL	134	-
- bank balances	7	53
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	(516)	(978)
Dividend income:		
- AFS financial assets	-	72
- financial assets at FVTPL	4,824	2,789
	6,536	5,017

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

	Current quarter 3 months ended	
	31 Mar 2018	31 Mar 2017
	RM'000	RM'000
Depreciation of property and equipment	447	516
Depreciation of investment property	6	6
Amortisation of intangible assets	317	513
(Reversal of)/allowance for impairment losses on insurance receivables	(1,709)	285

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

	Current quarter 3 months ended	
	31 Mar 2018	31 Mar 2017
	RM'000	RM'000
Realised gains on disposal of:		
- property and equipment	-	(4)
- financial assets at FVTPL	(1,068)	(252)
Net realised gains	(1,068)	(256)
Fair value losses on financial assets carried at FVTPL	1,689	121
Loss/(gain) on foreign exchange - realised	333	(292)
Loss on foreign exchange - unrealised	445	513

9. Taxation

	Current quarter 3 months ended	
	31 Mar 2018	31 Mar 2017
	RM'000	RM'000
Income tax	4,062	1,623
Deferred tax	(2,065)	51
	1,997	1,674
Effective tax rate	10%	11%

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	
	31 Mar 2018	**31 Mar 2017**
Profit net of tax attributable to owners of the parent (RM'000)	16,572	11,939
Number of ordinary shares in issue ('000)	751,760	751,760
Basic and diluted earnings per share (sen per share)	2.20	1.59

11. Share capital

There were no issuances, cancellations, repurchases, resale and repayments of equity securities by the Company during the period.

12. Dividends

There were no dividends declared during the three months ended 31 March 2018.

On 3 May 2018, the Company has announced a final single tier dividend of 3.0 sen per ordinary share under the single-tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 for the financial year ended 31 December 2017, which will be paid in cash on 25 June 2018, if it is approved at the next Annual General Meeting to be held on 1 June 2018.

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 March 2018					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 March 2018	-	145,555	-	145,555
Quoted unit trust funds in Malaysia	31 March 2018	464,511	-	-	464,511
		464,511	145,555	-	610,066

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 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	-	135,576	-	135,576
Quoted unit trust funds in Malaysia	31 December 2017	500,211	-	-	500,211
		500,211	135,576	-	635,787
Assets for which fair values are disclosed:					
31 March 2018 / 31 December 2017					
Investment property	31 December 2017	-	-	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 valuer based on the market comparison approach method.

14. Capital commitments

	As at 31 Mar 2018 RM'000	As at 31 Dec 2017 RM'000
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	16,056	16,120
Property and equipment	5,538	5,633
	21,594	**21,753**

15. Contingencies

There were no contingent assets or liabilities as at the date of this report, other than liabilities arising from insurance contracts 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	
	31 Mar 2018	31 Mar 2017
	RM'000	RM'000
Expenses:		
AAB		
Gross written premium	11,759	10,663
Fee and commission expenses	(2,940)	(2,666)
Data management fee	(9)	(16)
AAX		
Gross written premium	3,423	3,518
Fee and commission expenses	(856)	(879)
PTAA		
Gross written premium	478	473
Fee and commission expenses	(119)	(118)
Telemarketing commission expenses	(2)	(3)
TAA		
Gross written premium	440	334
Fee and commission expenses	(110)	(84)
Telemarketing commission expenses	(6)	(19)
TGSB		
Royalty fee	(1,969)	(3,238)
Rental and utilities charges	(446)	(194)
SP&G		
Brokerage fee	(324)	(142)

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.

18. Performance review

18.1 Current quarter ("1Q18") against corresponding quarter in prior year ("1Q17")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	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
Operating revenue												
External	527	836	1,586	2,542	16,203	13,843	124,641	112,860	-	-	142,957	130,081
Inter-segment	30,452	44,490	-	-	11,618	12,413	984	1,367	(43,054)	(58,270)	-	-
	30,979	45,326	1,586	2,542	27,821	26,256	125,625	114,227	(43,054)	(58,270)	142,957	130,081
Segment profit	26,497	40,501	1,529	2,474	11,967	11,494	11,543	9,436	(31,291)	(48,841)	20,245	15,064

Group/Consolidated

The Group's operating revenue increased from RM130.1 million in 1Q17 to RM143.0 million in 1Q18. The increase of RM12.9 million was mainly due to:

- Increase of RM11.4 million in gross earned premiums mainly contributed by the increase in Motor class of general insurance business; and
- Increase of RM1.5 million in investment income mainly due to dividend income received from unit trust funds.

The increase of RM5.2 million or 34.4% in Group's profit before tax from RM15.1 million in 1Q17 to RM20.3 million in 1Q18 was mainly due to:

- Decrease in net claims incurred of RM5.9 million due to favourable prior years claims development and closure of time-barred claims on inward treaties in general insurance business;
- Decrease in marketing expenses by RM0.7 million and provision for doubtful debts by RM2.0 million; offset by
- Decrease in net earned premium of RM3.4 million, mainly in Motor class of general insurance business due to higher quota share arrangement.

General reinsurance

Operating revenue of this segment increased by RM1.5 million from RM26.3 million in 1Q17 to RM27.8 million in 1Q18, mainly due to higher gross earned premiums attributed mainly to the Phillipines market.

The increase of RM0.5 million in this segment's profit from RM11.5 million in 1Q17 to RM12.0 million in 1Q18 was mainly due to a decrease in management expenses by RM1.1 million attributed to lower marketing costs, but was offset by an increase in net commission expenses of RM0.6 million.

18. Performance review (cont'd.)

18.1 Current quarter ("1Q18") against corresponding quarter in prior year ("1Q17") (cont'd.)

General insurance

Operating revenue of this segment increased by RM11.4 million from RM114.2 million in 1Q17 to RM125.6 million in 1Q18, as contributed by an improvement of RM9.3 million in gross earned premiums mainly from Motor class and RM2.1 million in investment income mainly from dividend income received in unit trust funds.

The increase of RM2.1 million in this segment's profit from RM9.4 million in 1Q17 to RM11.5 million in 1Q18 was mainly due to:

- Decrease in net claims incurred of RM7.5 mil due to favourable prior years claims development and closure of time-barred claims on inward treaties; offset by

- Decrease in net earned premiums of RM5.0 mil mainly in Motor class due to higher quota share; and

- Increase in taxation of RM0.4 million.

18.2 Current quarter ("1Q18") against preceding quarter in prior year ("4Q17")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 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	527	582	1,586	1,616	16,203	13,292	124,641	123,032	-	-	142,957	138,522
Inter-segment	30,452	-	-	-	11,618	14,358	984	1,196	(43,054)	(15,554)	-	-
	30,979	582	1,586	1,616	27,821	27,650	125,625	124,228	(43,054)	(15,554)	142,957	138,522
Segment profit/(loss)	26,497	(5,758)	1,529	1,064	11,967	8,177	11,543	5,211	(31,291)	173	20,245	8,867

Group/Consolidated

The Group's operating revenue increased from RM138.5 million in 4Q17 to RM143.0 million in 1Q18. The increase of RM4.5 million was mainly due to:

- Increase of RM6.0 million in gross earned premiums mainly in Motor class of the general insurance business; offset by

- Decrease of RM1.5 million in investment income mainly from decrease in share of investment income fom MMIP.

The Group's segment profit increased from RM8.9 million in Q417 to RM20.3 million in 1Q18. The increase of RM11.4 million was mainly due to decrease in net claims incurred mainly from Motor, Fire and Personal Accident classes of general insurance business.

18. Performance review (cont'd.)

18.2 Current quarter ("1Q18") against preceding quarter in prior year ("4Q17") (cont'd.)

General reinsurance

Operating revenue of this segment reported a marginal increase of RM0.1 million, from RM27.7 million in 4Q17 to RM27.8 million in 1Q18.

The increase of RM3.8 million in this segment's profit was mainly due to reduction in management expenses, attributed to marketing costs and administration expenses.

General insurance

There was an increase of RM1.4 million in operating revenue of this segment from RM124.2 million in 4Q17 to RM125.6 million in 1Q18, due to an increase of RM3.1 million in gross earned permiums mainly from Motor class, offset by a decrease of RM1.7 million in investment income mainly from lower MMIP investment income.

Profit of this segment increased by RM6.3 million from RM5.2 million in 4Q17 to RM11.5 million in 1Q18, mainly due to:

- Decrease in net claims from Motor, Fire and Personal Accident classes of RM11.1 million;
- Decrease in management expenses of RM3.2 million mainly due to write-back of impairment losses on insurance receivables and reduction in administration and general expenses; offset by
- Decrease in net earned premiums of RM5.6 million mainly from Motor class; and
- Increase in taxation of RM2.4 million.

19. Commentary on prospects

The Group recorded growth in the first quarter of 2018 in operating revenue attributable to the growth in digital global Travel business in the general reinsurance business and Motor class in the general insurance business. Profit after tax also increased due to improved underwriting performance from lower net claims incurred, as well as reduced management expenses with better collections and lower marketing expenses.

The growing strength of the digital channels of the business will continue its trending for the Group moving forward, in line with its vision to be the leading digital insurer in the region. The growth in the digital channels is largely attributed to the digital global Travel business and Tune Protect direct-to-consumer platform (www.tuneprotect.com). Comprehensive and bundled insurance products have proven to produce positive results in the digital global Travel business, as the Group continues to optimise algorithms and personalise offers leading to higher take up rates for the business.

19. Commentary on prospects (cont'd.)

Moving ahead into the year, the Group is exploring opportunities to collaborate in the Insuretech space to further facilitate the growth of our digital business. In May 2018, we have partnered with a 5th airline which opens up a wider Middle-East market for the digital global Travel business. In line with one of its strategic pillars, the general insurance business plans to grow by acquiring critical mass through affinity partnerships in the Non-Motor business.

20. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial period ended 31 March 2018.

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, Tune Insurance Malaysia Berhad ("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 PIAM members’ circular which was subsequently adopted by PIAM members including TIMB.

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 representations with the MyCC to defend its positions. 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.

22. Material litigation (cont'd.)

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.

As at the authorisation date of the financial statements, there have been no further developments on this matter.

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 31 March 2018 or the previous year ended 31 December 2017.

25. Risks and policies for derivatives

The Group did not enter into any derivative transactions during the period ended 31 March 2018 or the previous year ended 31 December 2017.

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 March 2018 and 31 December 2017.

27. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

By order of the Board

Kimberly Ong Sweet Ee
Company Secretary