Tune Protect Group Berhad (948454-K)

Interim Financial Statements

For the Quarter and Six Months Ended 30 June 2018

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of financial position
As at 30 June 2018

	As at 30 Jun 2018 Unaudited RM'000	As at 31 Dec 2017 Audited RM'000
Assets		
Property and equipment	7,835	8,409
Investment property	2,886	2,899
Intangible assets	2,538	2,866
Investment in an associate	55,257	55,471
Investment in a joint venture company	1,220	2,842
Goodwill	24,165	24,165
Deferred tax assets	259	1,245
Investments	692,895	707,513
Reinsurance assets	324,945	268,256
Insurance receivables	164,848	130,545
Other receivables	114,824	105,581
Cash and bank balances	18,140	7,453
Total assets	**1,409,812**	**1,317,245**
Equity		
Share capital	248,519	248,519
Available-for-sale ("AFS") reserves	-	(4,306)
Employee share option reserve	5,008	4,998
Foreign currency translation reserve	4,653	6,716
Other reserve	324	324
Retained earnings	246,760	246,763
Equity attributable to owners of the parent	505,264	503,014
Non-controlling interests	46,493	46,063
Total equity	**551,757**	**549,077**
Liabilities		
Insurance contract liabilities	665,409	617,221
Deferred tax liabilities	976	1,509
Insurance payables	139,534	99,326
Retirement benefits	766	738
Other payables	51,370	49,374
Total liabilities	**858,055**	**768,168**
Total equity and liabilities	**1,409,812**	**1,317,245**
Net assets per ordinary share attributable to owners of the parent (RM)	**0.67**	**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 30 June 2018

		Current quarter 3 months ended		Cumulative quarters 6 months ended	
		30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue		**141,260**	**133,878**	**284,217**	**263,959**
Gross earned premiums		133,995	128,250	270,416	253,314
Premiums ceded to reinsurers		(60,800)	(47,306)	(123,483)	(95,261)
Net earned premiums		**73,195**	**80,944**	**146,933**	**158,053**
Investment income	7	7,265	5,628	13,801	10,645
Realised gains and losses		17	846	1,085	1,102
Fair value gains and losses		(94)	141	(1,783)	20
Fees and commission income		10,627	8,374	28,109	22,933
Other operating income		919	854	1,029	1,014
Other revenue		**18,734**	**15,843**	**42,241**	**35,714**
Gross claims paid		(54,726)	(43,109)	(100,699)	(85,283)
Claims ceded to reinsurers		24,380	15,075	41,021	30,180
Gross change to contract liabilities		(6,057)	(9,133)	(30,562)	(24,076)
Change in contract liabilities ceded to reinsurers		6,224	(1,292)	34,017	8,804
Net claims		**(30,179)**	**(38,459)**	**(56,223)**	**(70,375)**
Fee and commission expenses		(20,832)	(20,010)	(47,262)	(41,972)
Management expenses		(27,552)	(26,537)	(52,132)	(54,987)
Other operating expenses		(295)	(6)	(1,031)	(156)
Other expenses		**(48,679)**	**(46,553)**	**(100,425)**	**(97,115)**
Share of results of an associate		258	1,171	778	1,588
Share of results of a joint venture company		221	157	491	302
Profit before taxation	8	13,550	13,103	33,795	28,167
Taxation	9	(144)	342	(2,141)	(1,332)
Net profit for the period		**13,406**	**13,445**	**31,654**	**26,835**

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of comprehensive income (cont'd.)
For the period ended 30 June 2018

		Current quarter 3 months ended		Cumulative quarters 6 months ended	
		30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive (loss)/income:					
Items that may be subsequently reclassified to profit or loss					
Changes in AFS financial assets, net:		-	(197)	-	(41)
- Gains on fair value changes of AFS financial assets		-	33	-	329
- Realised gains transferred to profit or loss		-	(229)	-	(319)
- Deferred tax relating to AFS financial assets		-	(1)	-	(51)
Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company		(838)	(896)	(2,063)	107
Other comprehensive (loss)/income for the period		**(838)**	**(1,093)**	**(2,063)**	**66**
Total comprehensive income for the period		**12,568**	**12,352**	**29,591**	**26,901**
Profit attributable to:					
Owners of the parent		12,812	13,003	29,384	24,942
Non-controlling interests		594	442	2,270	1,893
		13,406	**13,445**	**31,654**	**26,835**
Total comprehensive income attributable to:					
Owners of the parent		11,974	11,945	27,321	25,410
Non-controlling interests		594	407	2,270	1,491
		12,568	**12,352**	**29,591**	**26,901**
Basic and diluted earnings per share attributable to owners of the parent (sen per share)	10	**1.70**	**1.73**	**3.91**	**3.32**

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 30 June 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	-	-	-	-	-	-	-	29,384	29,384	2,270	31,654
Other comprehensive loss for the period	-	-	-	-	-	-	(2,063)	-	(2,063)	-	(2,063)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,063)	29,384	27,321	2,270	29,591
Dividends on ordinary shares	-	-	-			-	-	(22,553)	(22,553)	(1,840)	(24,393)
Grant of equity-settled share options to employees	-	-	-	-	-	10	-	-	10	-	10
At 30 June 2018	**248,519**	**-**	**-**	**-**	**324**	**5,008**	**4,653**	**246,760**	**505,264**	**46,493**	**551,757**
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	-	-	-	-	-	-	-	24,942	24,942	1,893	26,835
Other comprehensive income/(loss) for the period	-	-	-	361	-	-	107	-	468	(402)	66
Total comprehensive income for the period	-	-	-	361	-	-	107	24,942	25,410	1,491	26,901
Grant of equity-settled share options to employees	-	-	-	-	-	131	-	-	131	-	131
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	-	-	13,838	-	-	-	-	(13,838)	-	(100)	(100)
Dividends on ordinary shares	-	-	-	-	-	-	-	(39,092)	(39,092)	(1,673)	(40,765)
At 30 June 2017	**248,519**	**-**	**-**	**(4,618)**	**170**	**6,028**	**7,593**	**225,402**	**483,094**	**44,430**	**527,524**

* 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 30 June 2018

	Cumulative quarters 6 months ended	
	30 Jun 2018	**30 Jun 2017**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation	33,795	28,167
Adjustments for:		
Non-cash items	(290)	4,674
Investment income	(14,372)	(13,649)
Operating profit before working capital changes	19,133	19,192
Net change in operating assets	(38,171)	(30,208)
Net change in operating liabilities	26,555	24,739
Cash generated from operating activities	7,517	13,723
Net interest received	4,608	3,722
Net dividend received	9,982	6,040
Rental received	16	15
Retirement benefits	28	(61)
Income tax paid	(3,355)	(6,654)
Net cash generated from operating activities	18,796	16,785
Cash flows from investing activities		
Purchases of AFS financial assets	-	(395)
Purchases of fair value through profit or loss ("FVTPL") financial assets	(213,019)	(493,468)
Proceeds from disposal of AFS financial assets	-	129,348
Proceeds from disposal of FVTPL financial assets	220,499	-
(Increase)/decrease in loans and receivables	(464)	410,617
Proceeds from disposal of property and equipment	-	8
Purchase of property and equipment	(289)	(786)
Purchase of intangible assets	(349)	(592)
Net cash generated from investing activities	6,378	44,732
Cash flows from financing activity		
Dividends paid to equity holders	(22,553)	(39,092)
Dividends paid to non-controlling interests	(1,840)	(1,673)
Net cash used in financing activities	(24,393)	(40,765)
Net increase in cash and cash equivalents	781	20,752
Effect of exchange rate changes on cash and cash equivalents	22	(48)
Cash and cash equivalents at beginning of period	41,701	48,501
Cash and cash equivalents at end of period	42,504	69,205
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	24,364	36,046
Cash and bank balances	18,140	33,159
	42,504	69,205

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 30 June 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 are removed;
- A new asset category measured at 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 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* (cont'd.)

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	127,980
Other receivables (net of prepayments and tax recoverable)	LAR	78,840	AC	78,840

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 changes to the investments classification which will continue to be carried at FVTPL or AC.

Following the reclassification of all AFS financial assets to FVTPL, the deficit in AFS reserves as at 31 December 2017 of RM4,306,000 has 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* (cont'd.)

Impairment (cont'd.)

	MFRS 139 Allowance as at 31 December 2017 RM'000	Recognition of additional impairment losses using the ECL mode under MFRS 9 RM'000	MFRS 9 Allowance as at 1 January 2018 RM'000
Impairment loss for insurance receivables	14,616	2,565	17,181

Impact of the adoption of MFRS 9

The following disclosure summarises the impact 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	(2,565)	127,980
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* (cont'd.)

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 arising from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018 as shown on page 9. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented as at 30 June 2018 and the financial period ended on that date, which reflects the requirements of MFRS 9.

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, Interpretation 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
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:

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

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

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.

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:

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

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

MFRS 17 *Insurance Contracts* (cont'd.)

- 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 was 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 had been officially dissolved on 12 July 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	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 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	1,249	1,457	3,276	4,103	33,670	29,986	246,022	228,413	-	-	284,217	263,959
Inter-segment	39,612	52,817	-	-	23,401	23,817	2,437	2,281	(65,450)	(78,915)	-	-
	40,861 [1]	54,274	3,276	4,103	57,071 [2]	53,803	248,459 [3]	230,694	(65,450)	(78,915)	284,217 [4]	263,959
Segment profit	32,725	45,156	2,847	3,897	24,170	24,744	15,448	11,423	(41,395)	(57,053)	33,795	28,167
Segment assets	298,976	299,337	149,964	144,738	139,745	128,674	1,118,329	1,049,912	(297,202)	(297,011)	1,409,812	1,325,650
Segment liabilities	254	2,244	63	147	25,082	24,780	844,144	790,513	(11,488)	(19,558)	858,055	798,126

[1] includes investment income of RM40.855 million
[2] includes investment income of RM1.534 million
[3] includes investment income of RM10.179 million
[4] includes investment income of RM13.801 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		Cumulative quarters 6 months ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Rental income from investment property	9	6	16	15
Interest income:				
- AFS financial assets	-	134	-	331
- financial assets at amortised cost	2,251	1,964	4,331	4,839
- financial assets at FVTPL	134	-	268	-
- bank balances	25	38	32	91
Share of investment income/(loss) from Malaysian Motor Insurance Pool ("MMIP")	416	-	(100)	(978)
Dividend income:				
- AFS financial assets	-	47	-	119
- financial assets at FVTPL	4,430	3,439	9,254	6,228
	7,265	5,628	13,801	10,645

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	417	602	864	1,118
Depreciation of investment property	7	8	13	14
Amortisation of intangible assets	359	495	676	1,008
(Reversal of)/allowance for impairment losses on insurance receivables	(2)	1,993	(1,711)	2,278

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Realised (gains)/losses on disposal of:				
- property and equipment	-	(4)	-	(8)
- a subsidiary	-	4	-	4
- financial assets at FVTPL	(17)	(617)	(1,085)	(869)
- AFS financial assets	-	(229)	-	(229)
Net realised gains	(17)	(846)	(1,085)	(1,102)
Fair value losses/(gains) on financial assets carried at FVTPL	94	(141)	1,783	(20)
Loss/(gain) on foreign exchange - realised	295	(208)	1,068	(500)
(Gain)/loss on foreign exchange - unrealised	(58)	(408)	(53)	105

9. Taxation

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Income tax	(2,425)	(1,287)	1,637	336
Deferred tax	2,569	945	504	996
	144	(342)	2,141	1,332
Effective tax rate	1%	(3%)	6%	5%

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to owners of the parent (RM'000)	12,812	13,003	29,384	24,942
Number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	1.70	1.73	3.91	3.32

11. Share capital

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

12. Dividends

The 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 amounting to RM22,552,799 was approved by the shareholders on 1 June 2018 and paid on 25 June 2018.

No interim dividend has been declared for the financial period ended 30 June 2018.

13. Fair value measurement

The carrying values of financial assets and liabilities which are not carried at fair value approximate fair values due to their short-term maturity.

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:					
30 June 2018					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	30 June 2018	-	154,019	-	154,019
Quoted unit trust funds in Malaysia	30 June 2018	492,552	-	-	492,552
Unquoted equity securities in the United Kingdom	30 June 2018	-	-	2,673	2,673
		492,552	154,019	2,673	649,244

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:					
30 June 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 financial period 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.

(iv) The fair value of an investment in unquoted equity securities is determined using the recently concluded transaction price.

14. Capital commitments

	As at 30 June 2018 RM'000	As at 31 Dec 2017 RM'000
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	15,765	16,120
Property and equipment	5,327	5,633
	21,092	**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		Cumulative quarters 6 months ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Income/(expenses):				
AAB				
Gross written premium	10,418	10,089	22,177	20,752
Fee and commission expenses	(2,604)	(2,522)	(5,544)	(5,188)
Data management fee	(8)	(15)	(17)	(31)
AAX				
Gross written premium	2,625	2,570	6,048	6,088
Fee and commission expenses	(656)	(643)	(1,512)	(1,522)
PTAA				
Gross written premium	352	407	830	880
Fee and commission expenses	(89)	(102)	(208)	(220)
Telemarketing commission expenses	(2)	(2)	(4)	(5)
TAA				
Gross written premium	423	362	863	696
Fee and commission expenses	(106)	(90)	(216)	(174)
Telemarketing commission expenses	(4)	(13)	(10)	(32)
TGSB				
Royalty fee	(1,481)	(2,088)	(3,450)	(5,326)
Rental and utilities charges	(422)	(443)	(868)	(637)
SP&G				
Brokerage fee	(311)	(873)	(635)	(1,015)

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 ("2Q18") against corresponding quarter in prior year ("2Q17")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 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	722	621	1,690	1,561	17,467	16,143	121,381	115,553	-	-	141,260	133,878
Inter-segment	9,160	8,327	-	-	11,783	11,404	1,453	914	(22,396)	(20,645)	-	-
	9,882	8,948	1,690	1,561	29,250	27,547	122,834	116,467	(22,396)	(20,645)	141,260	133,878
Segment profit	6,228	4,655	1,318	1,423	12,203	13,250	3,905	1,987	(10,104)	(8,212)	13,550	13,103

Group/Consolidated

The Group's operating revenue increased from RM133.9 million in 2Q17 to RM141.3 million in 2Q18. The increase of RM7.4 million or 5.5% was mainly due to:

- Increase of RM5.8 million in gross earned premiums, contributed by an increase of RM4.1 million in general insurance business mainly from Motor class and general reinsurance business of RM1.7 million from Travel class; and

- Increase of RM1.6 million in investment income mainly due to dividend income received from unit trust funds, interest income and increase in share of investment income from MMIP.

The increase of RM0.5 million or 3.4% in Group's profit before tax from RM13.1 million in 2Q17 to RM13.6 million in 2Q18 was mainly due to:

- Decrease in net claims incurred of RM8.3 million, arisen from reduction of RM10.1 million in general insurance business as a result of favourable prior years' claims development and closure of time-barred claims on inward treaties; but net off by an increase of RM1.8 million in general reinsurance business with lower release of claims reserves as compared to prior year. The decrease in claims was however offset by

- Decrease in net earned premiums of RM7.8 million, attributable to decrease of RM9.5 million in general insurance mainly from Motor class with higher quota share; but offset by increase in general reinsurance business of RM1.7 million from Travel class.

General reinsurance

Operating revenue of this segment increased by RM1.7 million or 6.2% from RM27.6 million in 2Q17 to RM29.3 million in 2Q18, mainly due to higher gross earned premiums attributed mainly to Thailand, Middle East and the Philippines markets.

The decrease of RM1.0 million or 7.9% in this segment's profit from RM13.2 million in 2Q17 to RM12.2 million in 2Q18 was mainly due to impairment loss on insurance receivables and lower foreign exchange gains.

18. Performance review (cont'd.)

18.1 Current quarter ("2Q18") against corresponding quarter in prior year ("2Q17") (cont'd.)

General insurance

Operating revenue of this segment increased by RM6.4 million or 5.5% from RM116.4 million in 2Q17 to RM122.8 million in 2Q18, as contributed by an improvement of RM4.5 million in gross earned premiums mainly from Motor class and RM1.9 million in investment income mainly from dividend income received in unit trust funds and share of investment income from MMIP.

The increase of RM1.9 million or 96.5% in this segment's profit from RM2.0 million in 2Q17 to RM3.9 million in 2Q18 was mainly due to:

- Decrease in net claims incurred of RM10.1 million due to favourable prior years' claims development and closure of time-barred claims on inward treaties; and
- Decrease in net commision of RM1.2 million due to higher reinsurance commission received from Motor class of business; offset by
- Decrease in net earned premiums of RM9.4 million mainly in Motor class due to higher quota share.

18.2 Current year to date ("YTD 2018") against corresponding year to date ("YTD 2017")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Cumulative quarters 6 months ended											
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 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	1,249	1,457	3,276	4,103	33,670	29,986	246,022	228,413	-	-	284,217	263,959
Inter-segment	39,612	52,817	-	-	23,401	23,817	2,437	2,281	(65,450)	(78,915)	-	-
	40,861	54,274	3,276	4,103	57,071	53,803	248,459	230,694	(65,450)	(78,915)	284,217	263,959
Segment profit	32,725	45,156	2,847	3,897	24,170	24,744	15,448	11,423	(41,395)	(57,053)	33,795	28,167

Group/Consolidated

The Group's operating revenue increased by RM20.3 million or 7.7% from RM263.9 million in YTD 2017 to RM284.2 million in YTD 2018, mainly due to:

- Increase of RM17.1 million in gross earned premiums as contributed by Motor class in general insurance business and Travel class of the Philippines, Thailand and Middle East markets in general reinsurance business; and
- Increase of RM3.2 million in investment income mainly due to dividend income received from unit trust funds.

18. Performance review (cont'd.)

18.2 Current year to date ("YTD 2018") against corresponding year to date ("YTD 2017") (cont'd.)

Group/Consolidated (cont'd.)

The Group's segment profit increased from RM28.2 million in YTD 2017 to RM33.8 million in YTD 2018. The increase of RM5.6 million or 20.0% was due mainly to:

- Decrease in net claims incurred of RM14.1 million, arisen from reduction of RM17.6 million in general insurance business as a result of favourable prior years' claims development and closure of time-barred claims on inward treaties; but offset by an increase of RM3.5 million in general reinsurance business with lower release of reserves as compared to prior year;

- Decrease in management expenses of RM2.9 million due mainly to write-back of impairment losses on insurance receivables in general insurance business; and

- Increase of RM3.2 million in investment income due mainly to dividend income received from unit trust funds. The above was offset by

- Decrease in net earned premiums of RM11.1 million, attributable to the decrease of RM14.4 million in general insurance mainly from Motor class with the higher quota share; offset by increase in general reinsurance business of RM3.3 million.

- Increase in fair value losses on investments of RM1.8 million and other operating expenses of RM0.9 million, coupled with decrease in share of results from associate of RM0.8 million.

General reinsurance

Operating revenue of this segment increased from RM53.8 million in YTD 2017 to RM57.1 million in YTD 2018. The increase of RM3.3 million or 6.1% was mainly due to higher gross earned premiums of the Philippines, Thailand and Middle East markets and an increase of RM0.3 million in investment income.

The decrease of RM0.5 million or 2.3% in this segment's profit from RM24.7 million in YTD 2017 to RM24.2 million in YTD 2018 was mainly due to lower foreign exchange gains.

General insurance

There was an increase of RM17.8 million or 7.7% in operating revenue of this segment from RM230.7 million in YTD 2017 to RM248.5 million in YTD 2018, mainly contributed by increase of RM13.7 million in gross earned premiums of Motor class and higher investment income of RM4.1 million, mainly due to dividend income received from unit trust funds.

Profit of this segment increased by RM4.0 million or 35.1% from RM11.4 million in YTD 2017 to RM15.4 million in YTD 2018, mainly due to:

- Decrease in net claims incurred of RM17.6 million due to favourable prior years claims development and closure of time-barred claims on inward treaties; and

- Increase of RM0.8 million in share of investment income from MMIP; offset by

- Decrease of RM14.4 million in net earned premiums mainly due to decrease in Motor class as a result from higher quota share.

18. Performance review (cont'd.)

18.3 Current quarter ("2Q18") against preceding quarter in current year ("1Q18")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	30 Jun 2018	31 Mar 2018	30 Jun 2018	31 Mar 2018	30 Jun 2018	31 Mar 2018	30 Jun 2018	31 Mar 2018	30 Jun 2018	31 Mar 2018	30 Jun 2018	31 Mar 2018
	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	722	527	1,690	1,586	17,467	16,203	121,381	124,641	-	-	141,260	142,957
Inter-segment	9,160	30,452	-	-	11,783	11,618	1,453	984	(22,396)	(43,054)	-	-
	9,882	30,979	1,690	1,586	29,250	27,821	122,834	125,625	(22,396)	(43,054)	141,260	142,957
Segment profit	6,228	26,497	1,318	1,529	12,203	11,967	3,905	11,543	(10,104)	(31,291)	13,550	20,245

Group/Consolidated

The Group's operating revenue decreased from RM143.0 million in 1Q18 to RM141.3 million in 2Q18. The decrease of RM1.7 million or 1.2% was mainly due to:

- Decrease of RM2.4 million in gross earned premiums mainly in Non-motor class of the general insurance business notably Fire class of business; offset by

- Increase of RM0.7 million in investment income mainly from share of investment income fom MMIP.

The decrease of RM6.7 million or 33.1% in Group's segment profit from RM20.3 million in 1Q18 to RM13.6 million in 2Q18 was mainly due to:

- Increase in net claims incurred of RM4.1 million due mainly from Motor class of general insurance business; and

- Increase of RM3.0 million in management expenses due mainly to higher employee costs, IT expenses and administration and general expenses; offset by

- Lower foreign exchange losses of RM0.4 million.

18. Performance review (cont'd.)

18.3 Current quarter ("2Q18") against preceding quarter in current year ("1Q18") (cont'd.)

General reinsurance

Operating revenue of this segment reported an increase of RM1.4 million or 5.1%, from RM27.8 million in 1Q18 to RM29.2 million in 2Q18, mainly due to higher gross earned premiums of the Philippines and Middle East markets, but offset by marginal decrease in investment income.

This segment's profit of RM12.2 million was only RM0.2 million higher than the preceding quarter.

General insurance

There was a decrease of RM2.8 million or 2.2% in operating revenue of this segment from RM125.6 million in 1Q18 to RM122.8 million in 2Q18, due to decrease of RM3.9 million in gross earned permiums mainly from Non-motor class, offset by an increase of RM1.1 million in investment income mainly from higher share of investment income from MMIP.

Profit of this segment decreased by RM7.6 million or 66.2% from RM11.5 million in 1Q18 to RM3.9 million in 2Q18, mainly due to:

- Increase in net claims incurred of RM3.8 million mainly due from Motor class;
- Decrease in net earned premiums of RM2.1 million mainly from Motor class; and
- Increase in management expenses of RM1.7 million due mainly to higher employee costs and IT expenses.

19. Commentary on prospects

The general insurance industry recorded a marginal growth of 0.7% in the first-half of 2018 with gross written premiums of RM9.2 billion, where Motor class of business remains the largest contributor. The full-year industry growth is expected to be relatively flat bowing to competitive pressures and the progressive impact of tariff liberalisation.

As the Group moves ahead with its digital agenda, various short-term and long-term initiatives have been laid out to strengthen its position as a leading digital insurer in the region. Following the conclusion of the investment in Laka Ltd. in UK in 2Q18, the Group expects to replicate a similar business model in Asia in the coming months to make further inroads into the Insurtech space. Leveraging on digital innovation, the Group is now focusing on a Group-wide digitalisation project which includes the integration of an omni-channel customer support suite, development of on-demand products and revamping the online digital experience.

19. Commentary on prospects (cont'd.)

The digital Global Travel business is expected to continue its upward progression with the upcoming launch of enhanced dynamic pricing and optimisation mechanisms in selected markets later this year. For the Middle East and Indo-China markets, having established the B2B (business-to-business) channels, the Group is currently expanding into the D2C (direct-to-consumer) channels in these markets in the second-half year of 2018. Travel Retakaful business is also making its headway into the Middle-East and Indonesia markets. The general insurance business is expected to sustain its current level of performance. Together with the above initiatives, we anticipate an improvement in the Group's performance for the remainder of the year.

20. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial period ended 30 June 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. Significant event

(a) Subscription of redeemable preference shares

On 12 June 2018, the Company subscribed to 700,000 Redeemable Preference Shares in Tune Direct Ltd; a wholly-owned subsidiary of the Company, for a total cash consideration of USD700,000 (equivalent to RM2,788,000), for the purpose of investments as disclosed in Note 23(b).

(b) Subscription of equity interest in Laka Ltd.

The Group via its fully-owned subsidiary, Tune Direct Ltd, had on 19 June 2018, acquired a 9.99% equity interest in Laka Ltd; for a cash consideration of an aggregate subscription price of GBP499,478 (equivalent to RM2,673,000). Laka Ltd is involved in the business of insurtech.

24. Disclosure of nature of outstanding derivatives

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

25. Rationale for entering into derivatives

The Group did not enter into any derivative transactions during the period ended 30 June 2018 or the previous year ended 31 December 2017.

26. Risks and policies for derivatives

The Group did not enter into any derivative transactions during the period ended 30 June 2018 or the previous year ended 31 December 2017.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2018 and 31 December 2017.

28. 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