Tune Protect Group Berhad (948454-K)

Interim Financial Statements

For the Quarter and Twelve Months Ended 31 December 2018

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of financial position
As at 31 December 2018

	As at 31 Dec 2018 Unaudited RM'000	As at 31 Dec 2017 Audited RM'000
Assets		
Property and equipment	7,833	8,409
Investment property	-	2,899
Intangible assets	3,846	2,866
Investment in an associate	58,605	55,471
Investment in a joint venture company	3,097	2,842
Goodwill	24,165	24,165
Deferred tax assets	1,285	1,245
Investments	688,400	707,513
Reinsurance assets	446,427	268,256
Insurance receivables	158,735	130,545
Other receivables	98,256	105,581
Cash and bank balances	7,228	7,453
Total assets	**1,497,877**	**1,317,245**
Equity		
Share capital	248,519	248,519
Available-for-sale ("AFS") reserves	-	(4,098)
Employee share option reserve	4,006	4,998
Foreign currency translation reserve	6,116	6,716
Other comprehensive income ("OCI") reserve	155	-
Other reserve	124	116
Retained earnings	266,897	246,763
Equity attributable to owners of the parent	525,817	503,014
Non-controlling interests	47,826	46,063
Total equity	**573,643**	**549,077**
Liabilities		
Insurance contract liabilities	767,042	617,221
Deferred tax liabilities	803	1,509
Insurance payables	111,881	99,326
Retirement benefits	573	738
Other payables	43,935	49,374
Total liabilities	**924,234**	**768,168**
Total equity and liabilities	**1,497,877**	**1,317,245**
Net assets per ordinary share attributable to owners of the parent (RM)	**0.70**	**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 year ended 31 December 2018

		Current quarter 3 months ended		Cumulative quarters 12 months ended	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue		**140,419**	**138,522**	**566,122**	**542,598**
Gross earned premiums		132,021	130,434	537,010	515,284
Premiums ceded to reinsurers		(56,819)	(49,641)	(241,579)	(193,954)
Net earned premiums		**75,202**	**80,793**	**295,431**	**321,330**
Investment income	7	8,398	8,088	29,112	27,314
Realised gains and losses		(133)	335	1,128	1,518
Fair value gains and losses		656	(173)	1,551	920
Fees and commission income		7,880	9,406	46,452	40,677
Other operating income		579	471	2,491	2,124
Other revenue		**17,380**	**18,127**	**80,734**	**72,553**
Gross claims paid		(49,801)	(59,768)	(203,641)	(186,163)
Claims ceded to reinsurers		23,107	20,557	89,601	61,330
Gross change in contract liabilities		(115,489)	(15,601)	(173,362)	(51,938)
Change in contract liabilities ceded to reinsurers		120,864	18,030	186,419	36,054
Net claims		**(21,319)**	**(36,782)**	**(100,983)**	**(140,717)**
Fee and commission expenses		(19,642)	(18,179)	(88,894)	(80,502)
Management expenses		(42,898)	(34,509)	(134,582)	(121,429)
Other operating expenses		(596)	(1,933)	(1,503)	(2,831)
Other expenses		**(63,136)**	**(54,621)**	**(224,979)**	**(204,762)**
Share of results of an associate		805	1,055	2,552	3,504
Share of results of a joint venture company		656	289	2,315	996
Profit before taxation	8	9,588	8,861	55,070	52,904
Taxation	9	1,617	391	(2,152)	(2,881)
Net profit for the period/year		**11,205**	**9,252**	**52,918**	**50,023**

Tune Protect Group Berhad (948454-K)

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

		Current quarter 3 months ended		Cumulative quarters 12 months ended	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss):					
Items that will not be subsequently reclassified to profit or loss					
Share of other comprehensive income of an associate		163	205	163	95
Items that may be subsequently reclassified to profit or loss					
Changes in AFS financial assets, net:		-	10	-	136
- Gains on fair value changes of AFS financial assets		-	14	-	362
- Share of gain on fair value changes of AFS investments of an associate		-	-	-	59
- Realised gains transferred to profit or loss		-	-	-	(229)
- Deferred tax relating to AFS financial assets		-	(4)	-	(56)
Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company		266	(1,023)	(600)	(770)
Other comprehensive income/(loss) for the period/year		**429**	**(808)**	**(437)**	**(539)**
Total comprehensive income for the period/year		**11,634**	**8,444**	**52,481**	**49,484**
Profit attributable to:					
Owners of the parent		10,796	8,351	49,313	46,303
Non-controlling interests		409	901	3,605	3,720
		11,205	**9,252**	**52,918**	**50,023**
Total comprehensive income attributable to:					
Owners of the parent		11,224	7,541	48,876	46,360
Non-controlling interests		410	903	3,605	3,124
		11,634	**8,444**	**52,481**	**49,484**
Basic and diluted earnings per share attributable to owners of the parent (sen per share)	10	**1.44**	**1.11**	**6.56**	**6.16**

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 year ended 31 December 2018

	Attributable to the owners of the parent											
	Non-distributable								Distributable			
	Share capital	Share premium	Merger deficit	Available-for-sale reserves	OCI reserve	Other reserve	Employee share option reserves	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	RM'000
At 1 January 2018 (as previously stated)	248,519	-	-	(4,098)	-	116	4,998	6,716	246,763	503,014	46,063	549,077
Changes on initial application of MFRS 9	-	-	-	4,098	-	-	-	-	(6,626)	(2,528)	-	(2,528)
At 1 January 2018 (as restated)	248,519	-	-	-	-	116	4,998	6,716	240,137	500,486	46,063	546,549
Net profit for the year	-	-	-	-	-	-	-	-	49,313	49,313	3,605	52,918
Other comprehensive income/(loss) for the year	-	-	-	-	155	8	-	(600)	-	(437)	-	(437)
Total comprehensive income/(loss) for the year	-	-	-	-	155	8	-	(600)	49,313	48,876	3,605	52,481
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(22,553)	(22,553)	(1,842)	(24,395)
Grant of equity-settled share options to employees	-	-	-	-	-	-	(992)	-	-	(992)	-	(992)
At 31 December 2018	**248,519**	**-**	**-**	**-**	**155**	**124**	**4,006**	**6,116**	**266,897**	**525,817**	**47,826**	**573,643**
At 1 January 2017	75,176	173,343	(13,838)	(4,830)	-	21	5,897	7,486	253,390	496,645	44,712	541,357
Net profit for the year	-	-	-	-	-	-	-	-	46,303	46,303	3,720	50,023
Other comprehensive income/(loss) for the year	-	-	-	732	-	95	-	(770)	-	57	(596)	(539)
Total comprehensive income/(loss) for the year	-	-	-	732	-	95	-	(770)	46,303	46,360	3,124	49,484
Grant of equity-settled share options to employees	-	-	-	-	-	-	(899)	-	-	(899)	-	(899)
Transition in accordance with Section 618(2) of the Companies Act, 2016 to non-par value regime on 31 January 2017*	173,343	(173,343)	-	-	-	-	-	-	-	-	-	-
Dissolution of a subsidiary	-	-	13,838	-	-	-	-	-	(13,838)	-	(100)	(100)
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(39,092)	(39,092)	(1,673)	(40,765)
At 31 December 2017	**248,519**	**-**	**-**	**(4,098)**	**-**	**116**	**4,998**	**6,716**	**246,763**	**503,014**	**46,063**	**549,077**

* 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 year ended 31 December 2018

	Cumulative quarters 12 months ended	
	31 Dec 2018	31 Dec 2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	55,070	52,904
Adjustments for:		
Non-cash items	15,131	12,088
Investment related income	(37,162)	(34,252)
Operating profit before working capital changes	33,039	30,740
Net change in operating assets	(160,544)	10,130
Net change in operating liabilities	107,187	(4,812)
Cash (used in)/generated from operating activities	(20,318)	36,058
Net interest received	10,433	12,803
Net dividend received	1,040	-
Rental received	31	36
Retirement benefits	(193)	(7)
Income tax paid	(6,050)	(9,765)
Net cash (used in)/generated from operating activities	(15,057)	39,125
Cash flows from investing activities		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(258,066)	(625,239)
Proceeds from disposal of AFS financial assets	-	16,986
Proceeds from disposal of FVTPL financial assets	283,280	177,508
Decrease in loans and receivables	(961)	428,977
Proceeds from disposal of property and equipment	22	101
Proceeds from disposal of investment property	2,371	-
Purchase of property and equipment	(1,265)	(1,967)
Purchase of intangible assets	(1,396)	(1,363)
Net cash generated from/(used in) investing activities	23,985	(4,997)
Cash flows from financing activity		
Dividends paid to equity holders	(22,553)	(39,092)
Dividends paid to non-controlling interests	(1,842)	(1,673)
Net cash used in financing activities	(24,395)	(40,765)
Net decrease in cash and cash equivalents	(15,467)	(6,637)
Effect of exchange rate changes on cash and cash equivalents	70	(163)
Cash and cash equivalents at beginning of period	41,701	48,501
Cash and cash equivalents at end of period	26,304	41,701
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	19,076	34,248
Cash and bank balances	7,228	7,453
	26,304	41,701

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)

Explanatory Notes Pursuant to MFRS 134
For the year ended 31 December 2018

1. Basis of preparation

The condensed consolidated interim financial statements, for the year ended 31 December 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 ("IASB").

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 Issues Committee ("IC") 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 classification 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; and
- 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 RM4,098,000 was 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 and deposits with financial institutions and other receivables 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 model under MFRS 9 RM'000	MFRS 9 Allowance as at 1 January 2018 RM'000
Impairment losses 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 insurance receivables, 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	(4,098)	4,098	-
Retained earnings	246,763	(6,626)	240,137

The total adjustment, net of tax to the opening balance of the Group's retained earnings as at 1 January 2018 is RM6,626,000. The components of the adjustments are as follows:

- A reclassification of RM4,098,000 from AFS reserves to retained earnings arising from the classification of financial assets from AFS to FVTPL; and

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.)

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

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 31 December 2018 which reflects the requirements of MFRS 9.

2.2 Standards issued but not yet effective

The following are Standards, Amendments to Standards, IC 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, IC 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
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 *Definition of Material* and Amendments to MFRS 108 *Definition of Material*	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 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

(i) Lessee

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

(ii) Lessor

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

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

The Group plans to adopt MFRS 16 for the first time as of 1 January 2019, using the modified retrospective approach, whereby comparative information is not required to be restated. In line with the practical expedient allowed under MFRS 16, the Group will elect to apply the Standard to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease when applying MFRS 117 and IC Interpretation 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Transition to MFRS 16

During 2018, the Group has performed an impact assessment of MFRS 16. The Group estimates that it will recognise lease liabilities and rights-of-use of approximately RM2,790,000 as at 1 January 2019 from the adoption of the Standard.

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) which is not applicable to the Group's contracts; 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 has completed the assessment of the operational impacts for adopting MFRS 17 and intends to assess the financial impacts in the financial year ending 2019.

On 14 November 2018, the IASB tentatively decided to propose an amendment to the effective date of IFRS 17 to reporting periods beginning on or after 1 January 2022. The proposed deferral is subject to public consultation which is expected next year.

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.

Tune Protect Group Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134
For the year ended 31 December 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 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 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	2,269	2,490	6,849	7,333	71,208	59,891	485,796	472,884	-	-	566,122	542,598
Inter-segment	39,612	52,817	-	-	48,234	49,870	6,222	4,602	(94,068)	(107,289)	-	-
	41,881 [1]	55,307	6,849	7,333	119,442 [2]	109,761	492,018 [3]	477,486	(94,068)	(107,289)	566,122 [4]	542,598
Segment profit	24,527	34,954	7,363	6,346	42,846	43,189	23,331	25,518	(42,997)	(57,103)	55,070	52,904
Segment assets	294,835	288,502	160,303	144,882	158,785	147,991	1,192,982	1,025,584	(309,027)	(289,714)	1,497,877	1,317,245
Segment liabilities	2,068	2,696	69	162	26,086	25,678	911,020	753,583	(15,008)	(13,951)	924,234	768,168

[1] includes investment income of RM41.881 million
[2] includes investment income of RM3.143 million
[3] includes investment income of RM23.072 million
[4] includes investment income of RM29.112 million

6. Investment income

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Rental income from investment property	13	10	32	36
Interest income:				
- AFS financial assets	-	134	-	598
- financial assets at amortised cost	192	414	1,458	8,992
- financial assets at FVTPL	2,033	1,616	7,534	-
- bank balances	1	5	74	88
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	1,554	1,760	2,033	3,244
Dividend income:				
- AFS financial assets	-	-	-	119
- financial assets at FVTPL	4,605	4,149	17,981	14,237
	8,398	8,088	29,112	27,314

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	529	586	1,804	2,348
Depreciation of investment property	3	7	23	27
Amortisation of intangible assets	507	579	1,564	2,003
Allowance for impairment losses on insurance receivables	11,238	4,082	13,657	7,872

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Realised losses/(gains) on disposal of:				
- property and equipment	363	10	355	-
- a subsidiary	-	-	10	(6)
- financial assets at FVTPL	(230)	(345)	(1,493)	(1,283)
- AFS financial assets	-	-	-	(229)
Net realised losses/(gains)	133	(335)	(1,128)	(1,518)
Fair value (gains)/losses on financial assets carried at FVTPL	(655)	173	(1,551)	(920)
Loss/(gain) on foreign exchange - realised	577	(24)	1,503	(860)
(Gain)/loss on foreign exchange - unrealised	(205)	1,902	(983)	2,277

8. Taxation

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Income tax	(1,443)	(709)	2,152	1,817
Deferred tax	(174)	318	-	1,064
	(1,617)	(391)	2,152	2,881
Effective tax rate	(17%)	(4%)	4%	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.

9. Earnings per share

Basic earnings per share is calculated by dividing profit for the period/year, net of tax, attributable to owners of the parent by the number of ordinary shares outstanding during the period/year.

9. 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 12 months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Profit net of tax attributable to owners of the parent (RM'000)	10,796	8,351	49,313	46,303
Number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	1.44	1.11	6.56	6.16

10. Share capital

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

11. 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 year ended 31 December 2018.

12. 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:					
31 December 2018					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 December 2018	-	167,879	-	167,879
Quoted unit trust funds in Malaysia	31 December 2018	481,581	-	-	481,581
Unquoted equity securities in the United Kingdom	31 December 2018	-	-	2,673	2,673
		481,581	167,879	2,673	652,133

12. 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	Ob-servable inputs (Level 2) RM'000	Unob-servable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value: (cont'd.)					
31 December 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 December 2018					
Investment property	31 December 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.

12. 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 transaction price.

13. Capital commitments

	As at 31 Dec 2018 RM'000	As at 31 Dec 2017 RM'000
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	17,656	16,120
Property and equipment	3,901	5,633
	21,557	**21,753**

14. 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.

15. 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
Tune Protect Commercial Brokerage LLC ("TPCBLLC")	Joint venture company

15. Related party transactions (cont'd.)

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Income/(expenses):				
AAB				
Gross written premium	12,624	10,248	45,442	31,000
Fee and commission expenses	(3,168)	(2,562)	(11,360)	(7,750)
Data management fee	(7)	(13)	(32)	(44)
AAX				
Gross written premium	2,718	2,704	11,201	8,792
Fee and commission expenses	(679)	(676)	(2,800)	(2,198)
PTAA				
Gross written premium	609	332	1,811	1,212
Fee and commission expenses	(152)	(83)	(452)	(303)
Telemarketing commission expenses	(2)	(4)	(8)	(9)
TAA				
Gross written premium	453	384	1,808	1,080
Fee and commission expenses	(113)	(96)	(452)	(270)
Telemarketing commission expenses	(4)	(9)	(19)	(41)
TGSB				
Royalty fee	(1,507)	(1,764)	(6,506)	(7,090)
Rental and utilities charges	(314)	(420)	(1,571)	(1,057)
SP&G				
Brokerage fee	(83)	(68)	(980)	(1,083)
TPCBLLC				
Facilitator fees	(1,936)	(1,148)	(7,235)	(3,998)
Sundry income/(expenses)	80	(181)	358	(59)

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

16. Events after the reporting period

There were no significant events after the reporting period, other than those disclosed in Note 21.

17. Performance review

17.1 Current quarter ("4Q18") against corresponding 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 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 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	491	582	1,805	1,616	18,840	13,292	119,283	123,032	-	-	140,419	138,522
Inter-segment	-	-	-	-	14,051	14,358	1,033	1,196	(15,084)	(15,554)	-	-
	491	582	1,805	1,616	32,891	27,650	120,316	124,228	(15,084)	(15,554)	140,419	138,522
Segment (loss)/profit	(1,401)	(5,758)	2,099	1,064	9,823	8,177	315	5,205	(1,248)	173	9,588	8,861

Group/Consolidated

The Group's operating revenue increased from RM138.5 million in 4Q17 to RM140.4 million in 4Q18. The increase of RM1.9 million or 1.4% was mainly due to:

- Increase of RM1.6 million in gross earned premiums, contributed by increase of RM5.6 million in general reinsurance business from Travel class, offset by decrease in general insurance business of RM4.0 million mainly Motor class; and

- Increase of RM0.3 million in investment income mainly due to increase in dividend from collective investment schemes of RM0.5 million as a result of higher placements in unit trust funds, partially offset by decrease in share of investment income from MMIP of RM0.2 million.

The increase of RM0.7 million or 8.2% in Group's profit before tax from RM8.9 million in 4Q17 to RM9.6 million in 4Q18 was mainly due to:

- Decrease in net claims incurred of RM15.5 million, arising from reduction of RM16.9 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 increase of RM1.4 million in general reinsurance business with lower release of claims reserves as compared to prior year;

- Increase in fair value gains on investments by RM0.8 million; and

- Decrease in other operating expenses of RM1.4 million; offset by

- Decrease in net earned premiums of RM5.6 million, arising from RM10.8 million in general insurance mainly from Motor class with the higher quota share; but offset by increase in general reinsurance business of RM5.2 million from Travel class;

- Increase in management expenses of RM8.4 million mainly due to higher employee cost, marketing cost and other administration and general expenses as a result of the increase in facilitator fee and provision for impairment loss on receivables; and

- Increase in net commission expenses of RM3.0 million mainly due to higher commission paid mainly with the growth in the Philippines and Middle East markets in general reinsurance business.

17. Performance review (cont'd.)

17.1 Current quarter ("4Q18") against corresponding quarter in prior year ("4Q17") (cont'd.)

General reinsurance

Operating revenue of this segment increased by RM5.2 million or 19.0% from RM27.7 million in 4Q17 to RM32.9 million in 4Q18, mainly due to higher gross earned premiums of RM5.3 million attributed mainly to Middle East market but slightly offset by decrease in investment income of RM0.1 million.

The increase of RM1.6 million or 20.1% in this segment's profit from RM8.2 million in 4Q17 to RM9.8 million in 4Q18 was mainly due to lower unrealised foreign exchange loss of RM1.9 million offset by underwriting loss of RM0.3 million.

General insurance

Operating revenue of this segment decreased by RM3.9 million or 3.1% from RM124.2 million in 4Q17 to RM120.3 million in 4Q18. The decrease was mainly due decrease of RM4.0 million in gross earned premiums mainly from Motor class; offset by an increase of RM0.1 million in investment income.

The decrease of RM4.9 million in this segment's profit from RM5.2 million in 4Q17 to RM0.3 million in 4Q18 was mainly due to:

- Increase in management expenses of RM9.5 million mainly due to employee costs and provision for impairment loss;

- Decrease in net earned premiums of RM10.8 million mainly in Motor class due to higher quota share; and

- Increase in net commision expense of RM0.9 million due to lower reinsurance commission received from Motor class of business; offset by

- Decrease in net claims incurred of RM16.3 million due to favourable prior years' claims development and closure of time-barred claims on inward treaties.

17. Performance review (cont'd.)

17.2 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 12 months ended											
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 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	2,269	2,490	6,849	7,333	71,208	59,891	485,796	472,884	-	-	566,122	542,598
Inter-segment	39,612	52,817	-	-	48,234	49,870	6,222	4,602	(94,068)	(107,289)	-	-
	41,881	55,307	6,849	7,333	119,442	109,761	492,018	477,486	(94,068)	(107,289)	566,122	542,598
Segment profit	24,527	34,954	7,363	6,346	42,846	43,189	23,331	25,518	(42,997)	(57,103)	55,070	52,904

Group/Consolidated

The Group's operating revenue increased by RM23.5 million or 4.3% from RM542.6 million in YTD 2017 to RM566.1 million in YTD 2018, mainly due to:

- Decrease of RM21.7 million in gross earned premiums, contributed by increase in general insurance business of RM10.8 million and general reinsurance business from Travel class of RM10.9 million; and

- Increase of RM1.8 million in investment income mainly due to dividend income received from unit trust funds of RM3.6 million; partially offset by lower share of investment income from MMIP of RM1.2 million and interest income of RM0.6 million.

The Group's segment profit increased from RM52.9 million in YTD 2017 to RM55.1 million in YTD 2018. The increase of RM2.2 million or 4.1% was due mainly to:

- Decrease in net claims incurred of RM39.7 million, mainly arising from reduction of RM43.0 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 RM3.3 million in general reinsurance business with lower release of reserves as compared to prior year;

- Increase of RM1.8 million in investment income mainly due to dividend income received from unit trust funds of RM3.6 million; partially offset by lower share of investment income from MMIP of RM1.2 million and interest income of RM0.6 million;

- Increase in share of results in joint venture by RM1.3 million;

- Increase in fair value gains on investments of RM0.6 million and other operating income of RM0.4 million; offset by

- Increase in management expenses of RM13.2 million due mainly to higher employee cost and other administration and general expenses as a result of the increase in provision for impairment loss on receivables; and

- Increase in net commission expenses of RM2.6 million, was due mainly to higher commission paid mainly due to growth in the Philippines and Middle East markets in general reinsurance business;

17. Performance review (cont'd.)

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

Group/Consolidated (cont'd.)

- Decrease in net earned premiums of RM25.9 million, attributable to RM35.4 million in general insurance mainly from Motor class with the higher quota share; offset by increase in general reinsurance business of RM9.5 million.

General reinsurance

Operating revenue of this segment increased from RM109.8 million in YTD 2017 to RM119.4 million in YTD 2018. The increase of RM9.6 million or 8.8% was mainly due to RM9.3 million higher gross earned premiums from the Philippines and Middle East markets and an increase of RM0.3 million in investment income.

The decrease of RM0.4 million or 0.8% in this segment's profit from RM43.2 million in YTD 2017 to RM42.8 million in YTD 2018 was mainly due to the following:

- Increase in management expenses of RM8.3 million due mainly to provision for impairment loss on receivables and facilitator fee expenses; and

- Increase in net claims incurred of RM3.2 million and commission expense of RM2.8 million; offset by

- Increase in net earned premium of RM9.6 million contributed by the Phillipines and Middle East markets;

- Increase in investment income of RM0.3 million and other income of RM0.6 million; and

- Decrease in other operating of RM3.4 million due mainly to lower foreign exchange losses.

General insurance

There was an increase of RM14.5 million or 3.0% in operating revenue of this segment from RM477.5 million in YTD 2017 to RM492.0 million in YTD 2018, mainly contributed by increase of RM10.7 million in gross earned premiums of Motor class and higher investment income of RM3.8 million from dividend income of unit trust funds.

Profit of this segment decreased by RM2.2 million or 8.6% from RM25.5 million in YTD 2017 to RM23.3 million in YTD 2018, mainly due to:

- Decrease of RM35.4 million in net earned premiums mainly arising from Motor class as a result from higher quota share;

- Increase in management expenses of RM10.9 million comprising employees costs, marketing costs, IT costs and aministration and general expenses; and

17. Performance review (cont'd.)

General insurance (cont'd.)

- Decrease in realised gain on disposal of investments of RM3.0 million; offset by
- Decrease in net claims incurred of RM42.4 million due to favourable prior years claims development and closure of time-barred claims on inward treaties;
- Increase of RM3.8 million investment income mainly due to higher dividend income of RM5.1 million, but offset by decrease in share of investment income from MMIP of RM1.2 million and interest income of RM0.1 million; and
- Increase in fair value gain on investment of RM0.4 million and decrease in other operating expenses of RM0.5 million.

17.3 Current quarter ("4Q18") against preceding quarter in current year ("3Q18")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	31 Dec 2018	30 Sept 2018	31 Dec 2018	30 Sept 2018	31 Dec 2018	30 Sept 2018	31 Dec 2018	30 Sept 2018	31 Dec 2018	30 Sept 2018	31 Dec 2018	30 Sept 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	491	529	1,805	1,768	18,840	18,698	119,283	120,492	-	-	140,419	141,487
Inter-segment	-	-	-	-	14,051	10,782	1,033	2,752	(15,084)	(13,534)	-	-
	491	529	1,805	1,768	32,891	29,480	120,316	123,244	(15,084)	(13,534)	140,419	141,487
Segment (loss)/profit	(1,401)	(6,797)	2,099	2,417	9,823	8,853	315	7,569	(1,248)	(354)	9,588	11,688

Group/Consolidated

The Group's operating revenue decreased from RM141.5 million in 3Q18 to RM140.4 million in 4Q18. The decrease of RM1.1 million or 0.8% was mainly due to:

- Decrease of RM2.6 million in gross earned premiums, attributed to general insurance business mainly from Motor class; offset by
- Increase of RM1.5 million in investment income mainly due to increase in dividend from collective investment schemes of RM0.5 million as a result of higher placements in unit trust funds and share of investment income from MMIP of RM1.0 million.

The decrease of RM2.1 million or 18.0% in Group's segment profit from RM11.7 million in 3Q18 to RM9.6 million in 4Q18 was mainly due to:

- Increase in management expenses of RM3.0 million mainly in other administration and general expenses as a result of the increase in provision for impairment loss on receivables;
- Decrease in fair value gains on investments by RM1.9 million and share of profit in joint-venture of RM0.5 million; offset by
- Decrease in net claims incurred of RM1.6 million due mainly to favourable prior years' claims development and closure of time-barred claims on inward treaties in general insurance business as compared to preceding period; and
- Increase in investment income of RM1.5 million and other operating expenses of RM0.2 million.

17. Performance review (cont'd.)

17.3 Current quarter ("4Q18") against preceding quarter in current year ("3Q18") (cont'd.)

General reinsurance

Operating revenue of this segment reported an increase of RM3.4 million or 11.6%, from RM29.5 million in 3Q18 to RM32.9 million in 4Q18, due mainly to higher gross earned premiums of Middle East market and higher investment income.

Profit of this segment increased by RM0.9 million or 11.0% from RM8.9 million in 3Q18 to RM9.8 million in 4Q18, due mainly to higher underwriting profit of RM0.9 million.

General insurance

Operating revenue of this segment reported a decrease of RM2.9 million or 2.4%, from RM123.2 million in 3Q18 to RM120.3 million in 4Q18, due mainly to lower gross earned premiums of Motor class.

Profit of this segment decreased by RM7.3 million from a profit of RM7.6 million in 3Q18 to RM0.3 million in 4Q18, mainly due to:

- Increase in management expenses of RM7.6 million due mainly to provision for impairment loss on receivables and higher employee costs; and

- Decrease in net earned premium of RM1.6 million arising from Motor business of RM1.0 million with the higher quota share effect as part of our de-risking strategy, as well as Non-Motor business of RM0.6 million notably from Fire class of business; offset by

- Decrease in net claims incurred of RM1.9 million due mainly to favourable prior years' claims development and closure of time-barred claims on inward treaties; and

18. Commentary on prospects

The Group’s Gross Written Premium decreased by 12.4% in 4Q but the total for the current year increased 0.2% marginally from both the Malaysia General Insurance and General Reinsurance businesses. The Operating Revenue increased by 1.4% and 4.3%, while Profit After Tax increased by 21.1% and 5.8%, for 4Q and the current year respectively. The approach in business and cost rationalisation during the year were aimed to achieve sustainability and pave way for expansion in the mid-term to long-term period.

In 2019, despite the challenges faced by the industry arising from potential accounting and tax developments, the new leadership will continue to drive growth in four key areas, namely global business, leveraging on the strength of AirAsia ecosystems, Insurtech and the Malaysian business.

The Group will continue to venture into more markets and forge partnerships in the ASEAN region. For the airline travel business, the Group aims to drive incremental growth through online and offline sales, as well as enhanced product offerings. To strengthen the position in Insurtech, further investments will be made in technological solutions in addition to exploring new collaborations. The Malaysian General Insurance business will continue to focus on sustainable underwriting profits through a balanced portfolio.

19. Profit forecast or profit guarantee

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

20. Status of corporate proposal

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

21. Material litigation

(a) The Malaysia Competition Commisssion ("MyCC")'s Proposed Decision against PIAM and its 22 members

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 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.

On 8 November 2018, the legal counsel of PIAM requested for a new oral hearing so as to provide further clarification that the new Chairman of MyCC may have prior to the finalisation of any decisions. The oral representations are fixed for 19 to 21 February 2019.

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.

21. Material litigation (cont'd.)

(b) Tax dispute with the Lembaga Hasil Dalam Negeri ("LHDN")

On 20 December 2018, TIMB received Notices of Additional Assessment, (Form JA) from the Lembaga Hasil Dalam Negeri ("LHDN") in respect of year of assessment ("YA") 2013 to 2015 wherein a sum of RM11.1 million of additional taxes and penalties was sought by the LHDN.

TIMB was of the view that the LHDN's position on the disputed additional tax was open to challenge and engaged a legal advisor to assist in challenging the said disputed additional tax and penalties imposed by the LHDN.

On 11 January 2019, TIMB filed an Affidavit to the High Court of Malaya ("Court") to apply for a judicial review against LHDN's assessments. The Court had, on 18 February 2019, granted TIMB leave to proceed with the case. The hearing has been scheduled for 23 May 2019. At the same time, the Court also granted a stay in respect of payment of the additional tax to LHDN.

(c) Dispute with a foreign reinsurer (the Reinsurer")

TIMB is the reinsured under a Reinsurance Contract for an Extended Warranty Programme for various models of vehicles. The Reinsurer has failed to remit their share of payment for claims paid. TIMB has commended legal action to recover the amount owing by the Reinsurer under the Reinsurance Contract through its appointed legal advisor. As at 31 December 2018, the amount owing by the Reinsurer amounted to RM6,266,000 of which RM4,726,000 has been impaired.

TIMB was of the view that their position on the remaining non-disputed balances was open to challenge and has engaged a legal counsel to assist in recovery of these balances. On 1 November 2018 and 2 January 2019, the First and Second Letters of Demand ("LOD") respectively, were sent to the Reinsurer to recover the non-disputed balances.

On 29 January 2019, a writ of summon was filed with High Court of Malaya to recover the non-disputed balances.

22. Significant events

(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 22(c).

(b) Subscription of ordinary shares

On 3 December 2018, the Company subscribed to 400,000 new ordinary shares in Tune Direct Ltd, a wholly-owned subsidiary of the Company, for a total cash consideration of USD400,000 (equivalent to RM1,664,800), for the purpose of financing the development of digital assets.

(c) 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.

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 year ended 31 December 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 year ended 31 December 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 December 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