



Tune Protect Group Berhad (948454-K)

Interim Financial Statements

For the Quarter and Three Months Ended 31 March 2019

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of financial position As at 31 March 2019

	As at 31 Mar 2019 Unaudited RM'000	As at 31 Dec 2018 Audited RM'000
Assets		
Property and equipment	7,000	7,838
Intangible assets	3,813	3,838
Right-of-use assets	4,240	-
Investment in an associate	59,797	58,605
Investment in a joint venture company	4,535	4,138
Goodwill	24,165	24,165
Deferred tax assets	1,039	1,731
Investments	675,714	690,039
Reinsurance assets	442,280	451,939
Insurance receivables	180,258	158,735
Other receivables	109,087	97,801
Cash and bank balances	4,985	7,228
Total assets	1,516,913	1,506,057
Equity		
Share capital	248,519	248,519
Employee share option reserves	3,650	4,006
Foreign currency translation reserve	7,740	7,157
Other comprehensive income ("OCI") reserve	155	155
Other reserve	124	124
Retained earnings	285,456	267,114
Equity attributable to owners of the parent	545,644	527,075
Non-controlling interests	49,422	47,614
Total equity	595,066	574,689
Liabilities		
Insurance contract liabilities	753,504	772,555
Deferred tax liabilities	2,553	1,249
Insurance payables	118,069	111,881
Retirement benefits	573	573
Other payables	43,387	45,110
Lease liabilities	3,761	-
Total liabilities	921,847	931,368
Total equity and liabilities	1,516,913	1,506,057
Net assets per ordinary share attributable to owners of the parent (RM)	0.73	0.70

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of comprehensive income For the period ended 31 March 2019

		<u>Current quarter</u>	
		<u>3 months ended</u>	
		<u>31 Mar</u>	<u>31 Mar</u>
		<u>2019</u>	<u>2018</u>
Note		<u>RM'000</u>	<u>RM'000</u>
	Operating revenue	126,665	142,957
	Gross earned premiums	121,326	136,421
	Premiums ceded to reinsurers	(56,266)	(62,683)
	Net earned premiums	65,060	73,738
	Investment income	5,339	6,536
	Realised gains and losses	471	1,068
	Fair value gains and losses	3,355	(1,689)
	Fees and commission income	11,736	17,482
	Other operating income	775	157
	Other revenue	21,676	23,554
	Gross claims paid	(67,282)	(45,973)
	Claims ceded to reinsurers	37,505	16,641
	Gross change to contract liabilities	11,574	(24,505)
	Change in contract liabilities ceded to reinsurers	(1,049)	27,793
	Net claims	(19,252)	(26,044)
	Fee and commission expenses	(21,532)	(26,430)
	Management expenses	(24,308)	(24,580)
	Other operating expenses	(298)	(783)
	Finance costs	(58)	-
	Other expenses	(46,196)	(51,793)
	Share of results of an associate	561	520
	Share of results of a joint venture company	446	270
	Profit before taxation	22,295	20,245
	Taxation	(2,145)	(1,997)
	Net profit for the period	20,150	18,248

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Condensed consolidated statement of comprehensive income (cont'd.)
For the period ended 31 March 2019

	<u>Current quarter</u>	
	<u>3 months ended</u>	
	<u>31 Mar</u>	<u>31 Mar</u>
	<u>2019</u>	<u>2018</u>
Note	RM'000	RM'000
Other comprehensive income/(loss):		
Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company	583	(1,225)
Other comprehensive income/(loss) for the period	<u>583</u>	<u>(1,225)</u>
Total comprehensive income for the period	<u>20,733</u>	<u>17,023</u>
Profit attributable to:		
Owners of the parent	18,342	16,572
Non-controlling interests	1,808	1,676
	<u>20,150</u>	<u>18,248</u>
Total comprehensive income attributable to:		
Owners of the parent	18,926	15,347
Non-controlling interests	1,807	1,676
	<u>20,733</u>	<u>17,023</u>
Basic and diluted earnings per share attributable to owners of the parent (sen per share)		
9	<u>2.44</u>	<u>2.20</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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Condensed consolidated statement of changes in equity For the period ended 31 March 2019

	Attributable to the owners of the parent									
	Non-distributable					Distributable				
	Share capital	Available-for-sale reserves	Other OCI reserve	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 2019	248,519	-	155	124	4,006	7,157	267,114	527,075	47,614	574,689
Net profit for the period	-	-	-	-	-	-	18,342	18,342	1,808	20,150
Other comprehensive income for the period	-	-	-	-	-	583	-	583	-	583
Total comprehensive income for the period	-	-	-	-	-	583	18,342	18,925	1,808	20,733
Grant of equity-settled share options to employees	-	-	-	-	(356)	-	-	(356)	-	(356)
At 31 March 2019	248,519	-	155	124	3,650	7,740	285,456	545,644	49,422	595,066
At 1 January 2018	248,519	(4,306)	-	324	4,998	6,716	246,763	503,014	46,063	549,077
Changes on initial application of MFRS 9	-	4,306	-	-	-	-	(6,834)	(2,528)	-	(2,528)
At 1 January 2018 (restated)	248,519	-	-	324	4,998	6,716	239,929	500,486	46,063	546,549
Net profit for the period	-	-	-	-	-	-	16,572	16,572	1,676	18,248
Other comprehensive loss for the period	-	-	-	-	-	(1,225)	-	(1,225)	-	(1,225)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1,225)	16,572	15,347	1,676	17,023
Grant of equity-settled share options to employees	-	-	-	-	(27)	-	-	(27)	-	(27)
At 31 March 2018	248,519	-	-	324	4,971	5,491	256,501	515,806	47,739	563,545

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of cash flows For the period ended 31 March 2019

	Cumulative quarters 3 months ended	
	31 Mar 2019	31 Mar 2018
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	22,295	20,245
Adjustments for:		
Non-cash items	(3,100)	(590)
Investment related income	(10,167)	(6,705)
Operating profit before working capital changes	9,028	12,950
Net change in operating assets	(8,192)	(83,728)
Net change in operating liabilities	(18,955)	86,354
Cash (used in)/generated from operating activities	(18,119)	15,576
Net interest received	771	2,223
Net dividend received	2,316	5,463
Rental received	11	7
Income tax paid	(1,302)	(1,561)
Net cash (used in)/generated from operating activities	(16,323)	21,708
Cash flows from investing activities		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(20,897)	(9,431)
Proceeds from disposal of FVTPL financial assets	27,694	44,868
(Increase)/decrease in loans and receivables	(5,524)	11,478
Proceeds from disposal of property and equipment	14	-
Purchase of property and equipment	(170)	(72)
Purchase of intangible assets	(345)	(43)
Net cash generated from investing activities	771	46,800
Cash flows from financing activity		
Repayment of lease liabilities	(357)	-
Net cash used in financing activities	(357)	-
Net (decrease)/increase in cash and cash equivalents	(15,909)	68,508
Effect of exchange rate changes on cash and cash equivalents	(3)	(494)
Cash and cash equivalents at beginning of year	26,304	41,701
Cash and cash equivalents at end of year	10,392	109,715
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	5,407	71,020
Cash and bank balances	4,985	38,695
	10,392	109,715

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2019

1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 31 March 2019, 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 2018.

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 2018.

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 2019 and which were adopted by the Group on 1 January 2019.

MFRS 16 *Leases*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Amendments to MFRS 128 *Long-term Interests In Associates and Joint Ventures*

Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 3, *Business Combinations*

Amendments to MFRS 112, *Income Taxes*

Amendments to MFRS 123, *Borrowing Costs*

Annual improvements to MFRS Standards 2015-2017 Cycle

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:

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2019

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

2.1 Adoption of MFRSs, Amendments to MFRSs and IC Interpretations (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 has adopted 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 has elected to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4. Therefore, the Group did 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 has elected 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.

On transition to MFRS 16, the Group recognised lease liabilities and right-of-use assets of approximately RM4,126,000 as at 1 January 2019.

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2019

2.2 Standards issued but not yet effective

The following are Amendments 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 Amendments to Standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3 <i>Business Combinations - Definition of a business</i>	1 January 2020
Amendments to MFRS 101 <i>Presentation of financial statements</i> and MFRS 108 <i>Accounting policies, changes in accounting estimates and errors</i>	
- <i>Definition of material</i>	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 <i>Consolidated Financial Statements</i> and MFRS 128 <i>Investment in Associates and Joint Ventures</i>	To be announced by MASB

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements of the Group in the period of initial application except for those discussed below:

MFRS 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

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.

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2019

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

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

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

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 by end of 2019.

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

There were no changes in composition of the Group during the period ended 31 March 2019.

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2019

5. Segment information

The Group is organised into business units based on their products and services, and has four business segments as follows:

Investment holding and others	: Investment holding operations and other dormant subsidiaries
Collective investment schemes	: Funds managed through collective investment schemes
General reinsurance business	: Underwriting of all classes of general reinsurance business
General insurance business	: Underwriting of all classes of general insurance business

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	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	467	527	1,902	1,586	17,200	16,203	107,096	124,641	-	-	126,665	142,957
Inter-segment	8,143	30,452	-	-	6,909	11,618	1,564	984	(16,616)	(43,054)	-	-
	<u>8,610¹</u>	<u>30,979</u>	<u>1,902</u>	<u>1,586</u>	<u>24,109²</u>	<u>27,821</u>	<u>108,660³</u>	<u>125,625</u>	<u>(16,616)</u>	<u>(43,054)</u>	<u>126,665⁴</u>	<u>142,957</u>
Segment profit	<u>4,233</u>	<u>26,497</u>	<u>2,927</u>	<u>1,529</u>	<u>12,836</u>	<u>11,967</u>	<u>12,670</u>	<u>11,543</u>	<u>(10,371)</u>	<u>(31,291)</u>	<u>22,295</u>	<u>20,245</u>
Segment assets	<u>300,366</u>	<u>313,569</u>	<u>170,363</u>	<u>145,328</u>	<u>156,975</u>	<u>125,404</u>	<u>1,192,550</u>	<u>1,188,414</u>	<u>(303,341)</u>	<u>(297,339)</u>	<u>1,516,913</u>	<u>1,475,376</u>
Segment liabilities	<u>3,665</u>	<u>1,322</u>	<u>6,769</u>	<u>63</u>	<u>19,949</u>	<u>22,942</u>	<u>899,706</u>	<u>906,991</u>	<u>(8,242)</u>	<u>(19,488)</u>	<u>921,847</u>	<u>911,830</u>

¹ includes investment income of RM8.610 million

² includes investment income of RM0.717 million

³ includes investment income of RM3.817 million

⁴ includes investment income of RM5.339 million

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Explanatory Notes Pursuant to MFRS 134
For the period ended 31 March 2019

6. Investment income

	Current quarter 3 months ended	
	31 Mar 2019	31 Mar 2018
	RM'000	RM'000
Rental income from property	11	7
Interest income:		
- financial assets at amortised cost	166	134
- financial assets at FVTPL	2,187	2,080
- bank balances	15	7
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	644	(516)
Dividend income:		
- financial assets at FVTPL	2,316	4,824
	5,339	6,536

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

	Current quarter 3 months ended	
	31 Mar 2019	31 Mar 2018
	RM'000	RM'000
Depreciation of property and equipment	399	447
Depreciation of investment property	-	6
Depreciation of right-of-use assets	579	-
Amortisation of intangible assets	368	317
Reversal of impairment losses on insurance receivables	(4,211)	(1,709)
Reversal of impairment losses on reinsurance assets	(195)	-
Interest expense on lease liabilities	58	-
Write-off of property & equipment	7	-

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2019

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

	Current quarter 3 months ended	
	31 Mar 2019	31 Mar 2018
	RM'000	RM'000
Realised gains on disposal of:		
- property and equipment	(4)	-
- financial assets at FVTPL	(467)	(1,068)
Net realised gains	(471)	(1,068)
Fair value (gains)/losses on financial assets carried at FVTPL	(3,355)	1,689
(Gain)/loss on foreign exchange - realised	(232)	333
Loss on foreign exchange - unrealised	159	445

8. Taxation

	Current quarter 3 months ended	
	31 Mar 2019	31 Mar 2018
	RM'000	RM'000
Income tax	123	4,062
Deferred tax	2,022	(2,065)
	2,145	1,997
Effective tax rate	10%	10%

The Group's effective tax rate is lower than the statutory tax rate 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, net of tax, attributable to owners of the parent by the number of ordinary shares outstanding during the year.

Tune Protect Group Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2019

9. Earnings per share (cont'd.)

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

	Current quarter 3 months ended	
	31 Mar 2019	31 Mar 2018
Profit net of tax attributable to owners of the parent (RM'000)	18,342	16,572
Number of ordinary shares in issue ('000)	751,760	751,760
Basic and diluted earnings per share (sen per share)	2.44	2.20

10. Share capital

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

11. Dividends

There were no dividends declared during the three months ended 31 March 2019.

On 19 April 2019 and 29 April 2019, the Company has announced a final single tier dividend of 3.0 sen per ordinary share under the single-tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 for the financial year ended 31 December 2018, which was approved at the Annual General Meeting held on 28 May 2019 and will be paid on 19 June 2019.

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2019

12. Fair value measurement

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

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

	Date of valuation	Quoted market price (Level 1) RM'000	Ob-servable inputs (Level 2) RM'000	Unob-servable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value:					
31 March 2019					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 March 2019	-	187,998	-	187,998
Quoted unit trust funds in Malaysia	31 March 2019	472,415	-	-	472,415
Unquoted equity securities in the United Kingdom	31 March 2019	-	-	2,673	2,673
		<u>472,415</u>	<u>187,998</u>	<u>2,673</u>	<u>663,086</u>

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2019

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

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current and previous financial year. There were also no transfers in and out of Level 3 of the fair value hierarchy.

Determination of fair value and fair value hierarchy

The fair values of the Group's assets which are carried at fair value or for which fair value is disclosed, are determined as follows:

- (i) The fair values of unquoted corporate bonds are determined by reference to Bond Pricing Agency Malaysia.
- (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.

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Explanatory Notes Pursuant to MFRS 134
For the period ended 31 March 2019

13. Capital commitments

	As at 31 Mar 2019 RM'000	As at 31 Dec 2018 RM'000
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	30,568	29,674
Property and equipment	1,186	980
	31,754	30,654

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

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Explanatory Notes Pursuant to MFRS 134
For the period ended 31 March 2019

15. Related party transactions (cont'd.)

	Current quarter 3 months ended	
	31 Mar 2019	31 Mar 2018
	RM'000	RM'000
Expenses:		
AAB		
Gross written premium	6,611	11,759
Fee and commission expenses	(1,653)	(2,940)
Data management fee	(6)	(9)
AAX		
Gross written premium	1,639	3,423
Fee and commission expenses	(410)	(856)
PTAA		
Gross written premium	397	478
Fee and commission expenses	(99)	(119)
Telemarketing commission expenses	(2)	(2)
TAA		
Gross written premium	242	440
Fee and commission expenses	(61)	(110)
Telemarketing commission expenses	(4)	(6)
TGSB		
Royalty fee	(1,748)	(1,969)
Rental and utilities charges	(357)	(446)
SP&G		
Brokerage fee	(244)	(324)
TPCBLLC		
Facilitator fees	(1,592)	(1,167)

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.

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17. Performance review

17.1 Current quarter ("1Q19") against corresponding quarter in prior year ("1Q18")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	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	467	527	1,902	1,586	17,200	16,203	107,096	124,641	-	-	126,665	142,957
Inter-segment	8,143	30,452	-	-	6,909	11,618	1,564	984	(16,616)	(43,054)	-	-
	8,610	30,979	1,902	1,586	24,109	27,821	108,660	125,625	(16,616)	(43,054)	126,665	142,957
Segment profit	4,233	26,497	2,927	1,529	12,836	11,967	12,670	11,543	(10,371)	(31,291)	22,295	20,245

Group/Consolidated

The Group's operating revenue decreased from RM143.0 million in 1Q18 to RM126.7 million in 1Q19. The decrease of RM16.3 million or 11.4% was mainly due to:

- Decrease of RM15.1 million in gross earned premiums mainly contributed by Motor class of general insurance business; and
- Decrease of RM1.2 million in investment income mainly due to dividend income received from unit trust funds.

The increase of RM2.1 million or 10.1% in Group's profit before tax from RM20.2 million in 1Q18 to RM22.3 million in 1Q19 was mainly due to:

- Decrease in net claims incurred of RM6.8 million due mainly to favourable prior years claims development in general insurance business;
- Increase in fair value gains on investments by RM5.0 million; and
- Increase in share of results in an associate and joint-venture companies by RM0.2 million; offset by
- Decrease in net earned premium of RM8.7 million, mainly in Motor and Workmen Compensation classes of general insurance business; and
- Decrease of RM1.2 million in investment income mainly due to dividend income received from unit trust funds.

General reinsurance

Operating revenue of this segment decreased by RM3.7 million or 13.3% from RM27.8 million in 1Q18 to RM24.1 million in 1Q19, mainly due to:

- Decrease in gross earned premiums of RM3.6 million attributed mainly to the Malaysian market as a result of lower quota share effect; and
- Decrease in investment income of RM0.1 million from dividend income received from unit trust funds.

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For the period ended 31 March 2019

17. Performance review (cont'd.)

17.1 Current quarter ("1Q19") against corresponding quarter in prior year ("1Q18") (cont'd.)

General reinsurance (cont'd.)

The increase of RM0.8 million or 7.3% in this segment's profit from RM12.0 million in 1Q18 to RM12.8 million in 1Q19 was mainly due to:

- Decrease in management expenses of RM2.1 million mainly due to reversal of provision for impairment loss on receivables;
- Decrease in net commission expense of RM1.8 million in tandem with decrease in premiums; and
- Increase in fair value gains on investments of RM1.1 million; offset by
- Decrease in net earned premium of RM3.6 million mainly attributed to Malaysian market as a result of lower quota share effect; and
- Decrease in realised gains from disposal of investments of RM0.6 million.

General insurance

Operating revenue of this segment decreased by RM16.9 million or 13.5% from RM125.6 million in 1Q18 to RM108.7 million in 1Q19, attributed to:

- Decrease of RM16.2 million in gross earned premiums mainly from Motor, Fire and Workmen Compensation classes of business; and
- Decrease in investment income of RM0.7 million mainly from dividend income received in unit trust funds.

The increase of RM1.1 million in this segment's profit from RM11.5 million or 9.8% in 1Q18 to RM12.6 million in 1Q19 was mainly due to:

- Decrease in net claims incurred of RM6.8 mil due mainly to favourable prior years claims development; and
- Increase in fair value gains on investments of RM3.5 million; offset by
- Decrease in net earned premium of RM5.2 million mainly in Motor and Non Motor, notably Workmen Compensation class of business;
- Increase in management expenses of RM1.2 million mainly due to decrease in the reversal of provision for impairment loss on receivables; and
- Increase in net commission expenses of RM2.8 million due to lower overriding commission.

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For the period ended 31 March 2019

17. Performance review (cont'd.)

17.2 Current quarter ("1Q19") against preceding quarter in prior year ("4Q18")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 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
	Current quarter 3 months ended											
Operating revenue												
External	467	491	1,902	1,805	17,200	18,840	107,096	119,283	-	-	126,665	140,419
Inter-segment	8,143	-	-	-	6,909	14,051	1,564	1,033	(16,616)	(15,084)	-	-
	8,610	491	1,902	1,805	24,109	32,891	108,660	120,316	(16,616)	(15,084)	126,665	140,419
Segment profit/(loss)	4,233	(1,401)	2,927	2,099	12,836	9,823	12,670	315	(10,371)	(1,248)	22,295	9,588

Group/Consolidated

The Group's operating revenue decreased from RM140.4 million in 4Q18 to RM126.7 million in 1Q19. The decrease of RM13.7 million or 9.8% was mainly due to:

- Decrease of RM10.7 million in gross earned premiums mainly in Motor class of the general insurance business and Travel class of the general reinsurance business; and
- Decrease of RM3.0 million in investment income mainly from decrease in dividend income from unit trust and share of investment income from MMIP.

The Group's segment profit increased from RM9.6 million in Q418 to RM22.3 million in 1Q19. The increase of RM12.7 million or 132.5% was mainly due to:

- Decrease in management expenses of RM18.1 million mainly due to lower provision for impairment loss on receivables and employee costs;
- Decrease in net claims incurred of RM2.1 million mainly from Motor and Fire classes of general insurance business due mainly to favourable prior years claims development; and
- Increase in fair value gains on investments of RM2.7 million; offset by
- Decrease in net earned premium of RM10.2 million mainly in Travel class of general reinsurance business and Motor and Non Motor classes of general insurance business notably Workmen Compensation, but offset by Fire and Medical classes.

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17. Performance review (cont'd.)

17.2 Current quarter ("1Q19") against preceding quarter in prior year ("4Q18") (cont'd.)

General reinsurance

Operating revenue of this segment reported a decrease of RM8.8 million or 26.7%, from RM32.9 million in 4Q18 to RM24.1 million in 1Q19. The decrease was mainly due to:

- Decrease in gross earned premiums of RM8.7 million attributed mainly to the Malaysian market as a result of lower quota share effect, but offset slightly by growth in Middle East market.
- Decrease in investment income of RM0.1 million from dividend income received from unit trust funds.

Profit of this segment increased by RM3.0 million or 30.7% from RM9.8 million in 4Q18 to RM12.8 million in 1Q19, mainly due to:

- Decrease in management expenses of RM8.0 million due to lower provision for impairment loss on receivables;
- Decrease in net commission expense of RM2.7 million in tandem with lower premiums and net claims of RM0.4 million;
- Increase in realised gains from disposal of investments of RM0.3 million and decrease in other operating expenses of RM0.2 million from foreign exchange losses; offset by
- Decrease in net earned premium of RM8.6 million attributed mainly to the Malaysian market as a result of lower quota share effect, but offset slightly by growth in Middle East market.

General insurance

Operating revenue of this segment reported a decrease of RM11.6 million or 9.7% from RM120.3 million in 4Q18 to RM108.7 million in 1Q19, mainly due to:

- Decrease of RM9.1 million in gross earned premiums mainly from Motor class and Workmen Compensation line of business; and
- Decrease of RM2.5 million in investment income mainly from dividend income from unit trust and MMIP investment income.

Profit of this segment increased by RM12.4 million from RM0.3 million in 4Q18 to RM12.7 million in 1Q19, mainly due to:

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17. Performance review (cont'd.)

17.2 Current quarter ("1Q19") against preceding quarter in prior year ("4Q18") (cont'd.)

General insurance (cont'd.)

- Decrease in management expenses of RM13.1 million mainly due to lower provision for impairment loss on insurance receivables, employee costs and lower administration and general expenses;
- Decrease in net claims of RM1.7 million mainly from Motor and Fire classes of general insurance business due mainly to favourable prior years claims development; and
- Increase in fair value gains on investments of RM2.1 million; offset by
- Decrease in net earned premiums of RM1.5 million from Motor and Non Motor classes of general insurance business notably Workmen Compensation, but offset by Fire and Medical classes;
- Decrease of RM2.5 million in investment income mainly from decrease in dividend income from unit trust and share of investment income from MMIP; and
- Increase in net commission expense of RM0.5 million due to lower overriding commission.

18. Commentary on prospects

The Group Profit After Tax grew 10.4% to RM20.1 million in 1Q, although the Group's Operating Revenue of RM126.7 million and Gross Written Premium of RM117.7 million decreased by 11.4% and 31.1%, respectively. This highest level of quarterly PAT since the past ten preceding quarters was achieved mainly as a result of portfolio restructuring, operational efficiency and streamlining in the Malaysian General Insurance business in delivering sustainable underwriting profits and investment returns. The General Reinsurance business also recorded improved profits contributed by writebacks in debtor impairments from intensified collections.

Following on the positive results from business and process improvement efforts, the Group now focuses on executing and delivering the four key transformation pillars, namely **G**lobal business, **A**irAsia ecosystems, **I**nsurtech capabilities and **N**ational business ("**GAIN**") in driving future performance towards becoming a leading digital insurer:

- (a) **G**lobal business: Following successful partnership formed in Indonesia for the exclusive rights to provide digital Travel protection for East Java, the Group is currently working on similar tie-ups in other parts of Indonesia and to gain entry into Indochina next.

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18. Commentary on prospects (cont'd.)

- (b) **AirAsia ecosystems:** The Group targets to harness higher than normal organic growth in the global Travel business by deploying enhanced pricing initiative via real-time optimisation of Travel insurance on AirAsia's booking platform in the region.
- (c) **Insurtech capabilities:** The Group continues to forge ahead in the Insurtech space, capitalising on its internally developed Travel platform and another turnkey digital insurance enabling platform. These applications which can be customisable and deployable have secured and will continue to open doors to interested business partners.
- (d) **National business:** The national or Malaysia business will continue to focus on sustainable solvency and profitability through a balanced portfolio of both Motor and Non-Motor businesses.

Through the transformational pillars, the Group hopes to unlock new revenue streams not only from underwriting profits but also other incomes by leveraging on Insurtech, whilst managing any impact from potential accounting and tax developments.

19. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial period ended 31 March 2019.

20. Status of corporate proposal

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

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21. Material litigation

(a) Update to the Malaysian Competition Commission ("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 automobile 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.

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.

On 21 February 2019, the counsel for PIAM made their oral representations to the MyCC Commissioners and it was treated as a de novo hearing, i.e. fresh hearing from the beginning. All previous submissions of counsels of the insurers were allowed to be adopted and will form part of the record of evidence. This matter is fixed for further oral representations on 13 and 14 May 2019 and 17 and 18 June 2019. TIMB's legal counsel will be making their representations during the June 2019 session.

TIMB in consultation with its legal counsel, 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.

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21. Material litigation (cont'd.)

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

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

TIMB is of the view given legal advice received that out of the RM11.1 million of additional taxes and penalties levied by the LHDN, RM10.7 million, being the disputed additional tax and penalties, is open to challenge and has hence, engaged tax solicitors 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 ("High Court") to apply for a judicial review against LHDN's assessments. On 23 May 2019, the High Court granted TIMB's application for judicial review with cost of RM5,000. The High Court ordered for the Notice of Assessment from LHDN be amended to allow the deduction of PRAD expenses and dismissed the penalty imposed in relation to this issue. The High Court also granted a stay of proceedings against the payment of taxes on the other additional taxes and penalties levied by LHDN until the determination of the appeal before the Special Commissioners of Income Tax.

(c) On-going litigation with a foreign reinsurer ("the Reinsurer")

TIMB is the reinsured under a Reinsurance Contract for an Extended Warranty Programme ("EWP") for various models of vehicles. The Reinsurer had failed to remit their share of payment for claims paid by TIMB under the EWP. Accordingly, TIMB has commenced legal action to recover certain amounts owed by the Reinsurer under the Reinsurance Contract through its appointed solicitors. As at 31 December 2018, the amount owed by the Reinsurer amounted to RM9,427,000 of which RM4,016,000 has been impaired.

On 29 January 2019, a writ of summon was filed with the High Court of Malaya, Kuala Lumpur ("High Court") to recover the non-disputed balances of RM2,822,000 from the Reinsurer. On 19 February 2019, the High Court granted leave to TIMB to proceed with the service of Notice of Writ to be served out of jurisdiction to the Reinsurer in Hong Kong. The matter is now fixed for case management on 3 April 2019 in Malaysia to enable the Defendant to enter an appearance. The Defendant entered an appearance on 2 April 2019 and at the case management on 3 April 2019, the Court fixed the matter for a further case management on 27 May 2019 to enable both parties to file their pleadings.

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22. Disclosure of nature of outstanding derivatives

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

23. Rationale for entering into derivatives

The Group did not enter into any derivative transactions during the period ended 31 March 2019 or the previous year ended 31 December 2018.

24. Risks and policies for derivatives

The Group did not enter into any derivative transactions during the period ended 31 March 2019 or the previous year ended 31 December 2018.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 March 2019 and 31 December 2018.

26. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 was not qualified.

By order of the Board

Kimberly Ong Sweet Ee
Company Secretary