Tune Protect Group Berhad (948454-K)

Interim Financial Statements

For the Quarter and Six Months Ended 30 June 2019

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of financial position
As at 30 June 2019

	As at 30 Jun 2019 Unaudited RM'000	As at 31 Dec 2018 Audited RM'000
Assets		
Property and equipment	8,047	7,838
Intangible assets	3,543	3,838
Right-of-use assets	3,417	-
Investment in an associate	63,040	58,605
Investment in a joint venture company	3,980	4,138
Goodwill	24,165	24,165
Deferred tax assets	936	1,731
Investments	658,455	690,039
Reinsurance assets	462,640	451,939
Insurance receivables	176,278	158,735
Other receivables	109,145	97,801
Cash and bank balances	5,555	7,228
Total assets	**1,519,201**	**1,506,057**
Equity		
Share capital	248,519	248,519
Employee share option reserves	3,658	4,006
Foreign currency translation reserve	9,957	7,157
Other comprehensive income ("OCI") reserve	155	155
Other reserve	124	124
Retained earnings	273,611	267,114
Equity attributable to owners of the parent	536,024	527,075
Non-controlling interests	48,629	47,614
Total equity	**584,653**	**574,689**
Liabilities		
Insurance contract liabilities	773,356	772,555
Deferred tax liabilities	753	1,249
Insurance payables	113,698	111,881
Retirement benefits	507	573
Other payables	42,890	45,110
Lease liabilities	3,344	-
Total liabilities	**934,548**	**931,368**
Total equity and liabilities	**1,519,201**	**1,506,057**
Net assets per ordinary share attributable to owners of the parent (RM)	**0.71**	**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 30 June 2019

		Current quarter 3 months ended		Cumulative quarters 6 months ended	
		30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue		**124,461**	**141,260**	**251,126**	**284,217**
Gross earned premiums		115,070	133,995	236,396	270,416
Premiums ceded to reinsurers		(51,907)	(60,800)	(108,173)	(123,483)
Net earned premiums		**63,163**	**73,195**	**128,223**	**146,933**
Investment income	6	9,391	7,265	14,730	13,801
Realised gains and losses		2,494	17	2,965	1,085
Fair value gains and losses		2,308	(94)	5,663	(1,783)
Fees and commission income		7,113	10,627	18,849	28,109
Other operating income		658	919	1,103	1,029
Other revenue		**21,964**	**18,734**	**43,310**	**42,241**
Gross claims paid		(75,907)	(54,726)	(143,189)	(100,699)
Claims ceded to reinsurers		52,729	24,380	90,234	41,021
Gross change to contract liabilities		(10,586)	(6,057)	988	(30,562)
Change in contract liabilities ceded to reinsurers		8,595	6,224	7,546	34,017
Net claims		**(25,169)**	**(30,179)**	**(44,421)**	**(56,223)**
Fee and commission expenses		(17,732)	(20,832)	(39,264)	(47,262)
Management expenses		(32,804)	(27,552)	(57,112)	(52,132)
Other operating expenses		(106)	(295)	(74)	(1,031)
Finance costs		(51)	-	(109)	-
Other expenses		**(50,693)**	**(48,679)**	**(96,559)**	**(100,425)**
Share of results of an associate		1,077	258	1,638	778
Share of results of a joint venture company		405	221	851	491
Profit before taxation	7	10,747	13,550	33,042	33,795
Taxation	8	841	(144)	(1,304)	(2,141)
Net profit for the period		**11,588**	**13,406**	**31,738**	**31,654**

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of comprehensive income (cont'd.)
For the period ended 30 June 2019

	Note	Current quarter 3 months ended		Cumulative quarters 6 months ended	
		30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
		RM'000	RM'000	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		2,217	(838)	2,800	(2,063)
Other comprehensive income/(loss) for the period		**2,217**	**(838)**	**2,800**	**(2,063)**
Total comprehensive income for the period		**13,805**	**12,568**	**34,538**	**29,591**
Profit attributable to:					
Owners of the parent		10,708	12,812	29,050	29,384
Non-controlling interests		880	594	2,688	2,270
		11,588	**13,406**	**31,738**	**31,654**
Total comprehensive income attributable to:					
Owners of the parent		12,925	11,974	31,850	27,321
Non-controlling interests		880	594	2,688	2,270
		13,805	**12,568**	**34,538**	**29,591**
Basic and diluted earnings per share attributable to owners of the parent (sen per share)	9	**1.42**	**1.70**	**3.86**	**3.91**

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 changes in equity
For the period ended 30 June 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
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	-	-	-	-	-	-	29,050	29,050	2,688	31,738
Other comprehensive profit for the period	-	-	-	-	-	2,800	-	2,800		2,800
Total comprehensive income for the period	-	-	-	-	-	2,800	29,050	31,850	2,688	34,538
Dividends on ordinary shares	-	-	-		-	-	(22,553)	(22,553)	(1,673)	(24,226)
Grant of equity-settled share options to employees	-	-	-	-	(348)	-	-	(348)	-	(348)
At 30 June 2019	**248,519**	**-**	**155**	**124**	**3,658**	**9,957**	**273,611**	**536,024**	**48,629**	**584,653**
At 1 January 2018	248,519	(4,306)	-	324	4,998	6,716	246,763	503,014	46,063	549,077
Changes on initial application of MFRS 9	-	4,306	-	-	-	-	(6,834)	(2,528)	-	(2,528)
At 1 January 2018 (restated)	248,519	-	-	324	4,998	6,716	239,929	500,486	46,063	546,549
Net profit for the period	-	-	-	-	-	-	29,384	29,384	2,270	31,654
Other comprehensive loss for the period	-	-	-	-	-	(2,063)	-	(2,063)	-	(2,063)
Total comprehensive (loss)/income for the period	-		-	-	-	(2,063)	29,384	27,321	2,270	29,591
Grant of equity-settled share options to employees	-		-	-	10	-	-	10	-	10
Dividends on ordinary shares	-		-	-	-	-	(22,553)	(22,553)	(1,840)	(24,393)
At 30 June 2018	**248,519**	**-**	**-**	**324**	**5,008**	**4,653**	**246,760**	**505,264**	**46,493**	**551,757**

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 30 June 2019

	Cumulative quarters 6 months ended	
	30 Jun 2019	**30 Jun 2018**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation	33,042	33,795
Adjustments for:		
Non-cash items	(898)	(290)
Investment related income	(25,829)	(14,372)
Operating profit before working capital changes	6,315	19,133
Net change in operating assets	(30,216)	(38,171)
Net change in operating liabilities	(2,244)	26,555
Cash (used in)/generated from operating activities	(26,146)	7,517
Net interest received	3,022	4,608
Net dividend received	9,136	9,982
Rental received	15	16
Retirement benefits	(66)	28
Income tax paid	(2,628)	(3,355)
Net cash (used in)/generated from operating activities	(16,667)	18,796
Cash flows from investing activities		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(35,260)	(213,019)
Proceeds from disposal of FVTPL financial assets	111,411	220,499
Increase in loans and receivables	(29,767)	(464)
Proceeds from disposal of property and equipment	17	-
Purchase of property and equipment	(1,036)	(289)
Purchase of intangible assets	(563)	(349)
Net cash generated from investing activities	44,803	6,378
Cash flows from financing activity		
Repayment of lease liabilities	(1,205)	-
Dividends paid to equity holders	(22,553)	(22,553)
Dividends paid to non-controlling interests	(1,673)	(1,840)
Net cash used in financing activities	(25,431)	(24,393)
Net increase in cash and cash equivalents	2,706	781
Effect of exchange rate changes on cash and cash equivalents	(40)	22
Cash and cash equivalents at beginning of period	26,304	41,701
Cash and cash equivalents at end of period	28,970	42,504
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	23,415	24,364
Cash and bank balances	5,555	18,140
	28,970	42,504

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

Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2019

1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 30 June 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:

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.

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 *Business Combinations - Definition of a business*	1 January 2020
Amendments to MFRS 101 *Presentation of financial statements* and MFRS 108 *Accounting policies, changes in accounting estimates and errors - Definition of material*	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 *Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures*	To be announced by MASB

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

MFRS 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.

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 30 June 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	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 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	924	1,249	3,910	3,276	35,783	33,670	210,509	246,022	-	-	251,126	284,217
Inter-segment	20,085	39,612	-	-	13,144	23,401	2,488	2,437	(35,717)	(65,450)	-	-
	21,009 [1]	40,861	3,910	3,276	48,927 [2]	57,071	212,997 [3]	248,459	(35,717)	(65,450)	251,126 [4]	284,217
Segment profit	11,985	32,725	6,895	2,847	22,379	24,170	16,856	15,448	(25,073)	(41,395)	33,042	33,795
Segment assets	284,721	298,976	197,007	149,964	164,188	139,745	1,209,573	1,118,329	(336,338)	(297,202)	1,519,201	1,409,812
Segment liabilities	3,090	254	61	63	20,533	25,082	921,391	844,144	(10,278)	(11,488)	934,548	858,055

[1] includes investment income of RM21.009 million
[2] includes investment income of RM1.589 million
[3] includes investment income of RM10.795 million
[4] includes investment income of RM14.730 million

Tune Protect Group Berhad (948454-K)

Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2019

6. Investment income

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Rental income from property	4	9	15	16
Interest income:				
- financial assets at amortised cost	170	2,251	336	4,331
- financial assets at FVTPL	2,322	134	4,508	268
- bank balances	9	25	24	32
Share of investment income/(loss) from Malaysian Motor Insurance Pool ("MMIP")	1,079	416	1,723	(100)
Dividend income:				
- financial assets at FVTPL	5,808	4,430	8,124	9,254
	9,391	7,265	14,730	13,801

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	418	417	817	864
Depreciation of investment property	-	7	-	13
Depreciation of right-of-use assets	563	-	1,142	-
Amortisation of intangible assets	488	359	856	676
Impairment/ (reversal) of impairment losses on insurance receivables	1,049	(2)	(3,162)	(1,711)
Reversal of impairment losses on reinsurance assets	(3)	-	(198)	-
Interest expense on lease liabilities	51	-	109	-
Write-off of property and equipment	4	-	12	-

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Realised gains on disposal of:				
- property and equipment	(13)	-	(17)	-
- financial assets at FVTPL	(1,880)	(17)	(2,948)	(1,085)
Net realised gains	(1,893)	(17)	(2,965)	-
Fair value (gains)/losses on financial assets carried at FVTPL	(2,308)	94	(5,663)	1,783
Loss/(gain) on foreign exchange - realised	94	295	(160)	1,068
(Gain)/loss on foreign exchange - unrealised	(361)	(58)	(195)	(53)

8. Taxation

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Income tax	741	(2,425)	864	1,637
Deferred tax	(1,583)	2,569	440	504
	(841)	144	1,304	2,141
Effective tax rate	-8%	1%	4%	6%

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.

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 6 months ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to owners of the parent (RM'000)	10,708	12,812	29,050	29,384
Number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	1.42	1.70	3.86	3.91

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 2018 amounting to RM22,552,799 was approved by the shareholders on 28 May 2019 and paid on 19 June 2019.

No interim dividend has been declared for the financial period ended 30 June 2019.

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:					
30 June 2019					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	30 June 2019	-	221,172	-	221,172
Quoted unit trust funds in Malaysia	30 June 2019	405,659	-	-	405,659
Unquoted equity securities in the United Kingdom	30 June 2019	-	-	2,673	2,673
		405,659	221,172	2,673	629,504

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	Observable inputs (Level 2) RM'000	Unobservable 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	-	169,518	-	169,518
Quoted unit trust funds in Malaysia	31 December 2018	481,581	-	-	481,581
Unquoted equity securities in the United Kingdom		-	-	2,673	2,673
		481,581	169,518	2,673	653,772

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.

(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 30 June 2019 RM'000	As at 31 Dec 2018 RM'000
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	30,148	29,674
Property and equipment	526	980
	30,673	**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
Rokki	Person connected to AAB
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 6 months ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Income/(expenses):				
AAB				
Gross written premium	10,862	10,418	17,473	22,177
Fee and commission expenses	(2,715)	(2,604)	(4,368)	(5,544)
Data management fee	(6)	(8)	(12)	(17)
AAX				
Gross written premium	2,376	2,625	4,015	6,048
Fee and commission expenses	(594)	(656)	(1,004)	(1,512)
PTAA				
Gross written premium	624	352	1,021	830
Fee and commission expenses	(156)	(89)	(255)	(208)
Telemarketing commission expenses	(1)	(2)	(3)	(4)
TAA				
Gross written premium	407	423	649	863
Fee and commission expenses	(101)	(106)	(162)	(216)
Telemarketing commission expenses	(3)	(4)	(7)	(10)
TGSB				
Royalty fee	(1,170)	(1,481)	(2,918)	(3,450)
Rental and utilities charges	(366)	(422)	(723)	(868)
SP&G				
Brokerage fee	(437)	(311)	(681)	(635)
Rokki				
Advertisement expenses	(450)	-	(450)	-
TPCBLLC				
Facilitator fees	(1,620)	(1,074)	(3,212)	(2,241)

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.

17. Performance review

17.1 Current quarter ("2Q19") against corresponding quarter in prior year ("2Q18")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 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	457	722	2,008	1,690	18,583	17,467	103,413	121,381	-	-	124,461	141,260
Inter-segment	11,942	9,160	-	-	6,235	11,783	924	1,453	(19,101)	(22,396)	-	-
	12,399	9,882	2,008	1,690	24,818	29,250	104,337	122,834	(19,101)	(22,396)	124,461	141,260
Segment profit	7,752	6,228	3,968	1,318	9,543	12,203	4,186	3,905	(14,702)	(10,104)	10,747	13,550

Group/Consolidated

The Group's operating revenue decreased from RM141.3 million in 2Q18 to RM124.5 million in 2Q19. The decrease of RM16.8 million or 11.9% was mainly due to:

- Decrease of RM18.9 million in gross earned premiums mainly attributed by Motor class of general insurance business; offset by

- Increase of RM2.1 million in investment income mainly due to dividend income received from unit trust funds and share of investment income from MMIP.

The decrease of RM2.8 million or 20.7% in Group's profit before tax from RM13.5 million in 2Q18 to RM10.7 million in 2Q19 was mainly due to:

- Decrease in net earned premiums of RM10.0 million, mainly Motor and Workmen Compensation classes of general insurance business;

- Increase in net commission expenses of RM0.4 million due to lower overriding commission; and

- Increase in management expenses of RM5.2 million mainly due to increase in advertising and marketing expenses of RM2.7 million, admin and general expenses of RM2.2 million arising mainly from provision from impairment and increase in straight-line depreciation for right-of-use assets of RM0.6 million due to adoption of MFRS 16, but offset by decrease in IT expenses of RM0.3 million. The above were offset by

- Decrease in net claims incurred of RM5.0 million due to favourable prior years claims development in general insurance business;

- Increase of RM2.1 million in investment income mainly due to dividend income received from unit trust funds and share of investment income from MMIP;

- Increase in fair value gains and realised gains on liquidation of investments of RM4.9 million; and

- Increase in share of results in an associate of RM0.8 million due to higher fair value gains on investments of RM1.5 million, offset by lower underwriting results of RM0.4 mil and higher tax expense of RM0.3 million.

17. Performance review (cont'd.)

17.1 Current quarter ("2Q19") against corresponding quarter in prior year ("2Q18") (cont'd.)

General reinsurance

Operating revenue of this segment decreased by RM4.4 million or 15.2% from RM29.2 million in 2Q18 to RM24.8 million in 2Q19, mainly due to:

- Decrease in gross earned premiums of RM4.6 million attributed mainly to the Malaysian market as a result of lower quota share effect; offset by

- Increase in investment income of RM0.2 million from dividend income received from unit trust funds.

The decrease of RM2.7 million or 21.8% in this segment's profit from RM12.2 million in 2Q18 to RM9.5 million in 2Q19 was mainly due to:

- Decrease in net earned premiums of RM4.6 million mainly attributed to the Malaysian market as a result of lower quota share effect; offset by

- Decrease in net commission expense of RM1.5 million in tandem with decrease in premiums;

- Increase in investment income of RM0.2 million from dividend income received from unit trust funds; and

- Decrease in net claims incurred of RM0.2 million.

General insurance

Operating revenue of this segment decreased by RM18.5 million or 15.1% from RM122.8 million in 2Q18 to RM104.3 million in 2Q19 attributed to:

- Decrease of RM19.8 million in gross earned premiums mainly attributed by Motor class of general insurance business; offset by

- Increase of RM1.3 million in investment income mainly due to dividend income received from unit trust funds and share of investment income from MMIP.

The increase of RM0.3 million or 7.2% in this segment's profit from RM3.9 million in 2Q18 to RM4.2 million in 2Q19 was mainly due to:

- Increase in fair value gains and realised gains on liquidation of investments of RM4.4 million; and

- Increase of RM1.3 million in investment income mainly due to dividend income received from unit trust funds and share of investment income from MMIP; offset by

- Decrease in net earned premiums of RM5.4 million, mainly from Motor and Workmen Compensation classes of business.

17. Performance review (cont'd.)

17.2 Current year to date ("YTD 2019") against corresponding year to date ("YTD 2018")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Cumulative quarters 6 months ended											
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 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	924	1,249	3,910	3,276	35,783	33,670	210,509	246,022	-	-	251,126	284,217
Inter-segment	20,085	39,612	-	-	13,144	23,401	2,488	2,437	(35,717)	(65,450)	-	-
	21,009	40,861	3,910	3,276	48,927	57,071	212,997	248,459	(35,717)	(65,450)	251,126	284,217
Segment profit	11,985	32,725	6,895	2,847	22,379	24,170	16,856	15,448	(25,073)	(41,395)	33,042	33,795

Group/Consolidated

The Group's operating revenue decreased by RM33.1 million or 11.6% from RM284.2 million in YTD 2018 to RM251.1 million in YTD 2019, mainly due to:

- Decrease of RM34.0 million in gross earned premiums mainly attributed to Motor class of general insurance business; offset by

- Increase of RM0.9 million in investment income mainly due to higher share of investment income from MMIP, offset by lower dividend income received from unit trust funds.

The Group's segment profit decreased from RM33.8 million in YTD 2018 to RM33.0 million in YTD 2019. The decrease of RM0.8 million or 2.2% was due mainly to:

- Decrease in net earned premiums of RM18.7 million, attributable to the decrease of RM10.6 million mainly from Motor and Workmen Compensation classes of general insurance business, as well as RM8.1 million mainly from the Malaysian Travel class of general reinsurance business as a result of lower quota share effect; and

- Increase in management expenses of RM5.0 million due to increase in facilitators fees of RM1.0 million, advertising and marketing expenses of RM2.9 million and increase in depreciation of RM1.1 mil due to adoption of MFRS 16, under which right-of-use assets are depreciated on a straight-line basis; offset by

- Decrease in net claims incurred of RM11.8 million due to favourable prior years claims development in general insurance business;

- Increase in fair value gains and realised gains on liquidation of investments of RM9.3 million;

- Increase of RM0.9 million in investment income mainly due to higher share of investment income from MMIP of RM1.8 million, offset by lower dividend income received from unit trust funds of RM0.5 million and interest income of RM0.4 million; and

- Increase in share of results in an associate of RM0.9 million due to higher fair value gains on investments of RM1.9 million, offset by lower underwriting results of RM0.8 mil and higher tax expense of RM0.2 million.

17. Performance review (cont'd.)

17.2 Current year to date ("YTD 2019") against corresponding year to date ("YTD 2018") (cont'd.)

Group/Consolidated (cont'd.)

General reinsurance

Operating revenue of this segment decreased by RM8.2 million or 14.3% from RM57.1 million in YTD 2018 to RM48.9 million in YTD 2019, mainly due to:

- Decrease in gross earned premiums of RM8.2 million attributed mainly to the Malaysian market as a result of lower quota share effect.

The decrease of RM1.8 million or 7.4% in this segment's profit from RM24.2 million in YTD 2018 to RM22.4 million in YTD 2019 was mainly due:

- Decrease in net earned premiums of RM8.1 million mainly attributed to the Malaysian market as a result of lower quota share effect; offset by

- Decrease in net commission expense of RM3.2 million in tandem with decrease in premiums;

- Decrease in management expenses of RM1.2 million mainly due to reversal of provision for impairment loss on receivables;

- Increase in fair value gains on investments of RM1.5 million; and

- Increase in other operating income of RM0.4 million.

General insurance

Operating revenue of this segment decreased by RM35.5 million or 14.3% from RM248.5 million in YTD 2018 to RM213.0 million in YTD 2019, mainly due to:

- Decrease of RM36.1 million in gross earned premiums mainly attributed to Motor and Non-Motor notably Marine Hull, Offshore and Workmen Compensation classes of general insurance business; offset by

- Increase of RM0.6 million in investment income due mainly to higher share of investment income from MMIP, offset by lower dividend income received from unit trust funds.

Profit of this segment increased by RM1.4 million or 9.1% from RM15.4 million in YTD 2018 to RM16.8 million in YTD 2019, due mainly to:

- Decrease in net claims incurred of RM11.5 million due to favourable prior years claims development; and

- Increase of RM0.5 million in investment income mainly due to higher share of investment income from MMIP, offset by lower dividend income received from unit trust funds; offset by

- Decrease in net earned premiums of RM10.6 million, mainly from Motor and Workmen Compensation classes of general insurance business.

17. Performance review (cont'd.)

17.3 Current quarter ("2Q19") against preceding quarter in current year ("1Q19")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	30 Jun 2019	31 Mar 2019	30 Jun 2019	31 Mar 2019	30 Jun 2019	31 Mar 2019	30 Jun 2019	31 Mar 2019	30 Jun 2019	31 Mar 2019	30 Jun 2019	31 Mar 2019
	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	457	467	2,008	1,902	18,583	17,200	103,413	107,096	-	-	124,461	126,665
Inter-segment	11,942	8,143	-	-	6,235	6,909	924	1,564	(19,101)	(16,616)	-	-
	12,399	8,610	2,008	1,902	24,818	24,109	104,337	108,660	(19,101)	(16,616)	124,461	126,665
Segment profit	7,752	4,233	3,968	2,927	9,543	12,836	4,186	12,670	(14,702)	(10,371)	10,747	22,295

Group/Consolidated

The Group's operating revenue decreased from RM126.7 million in 1Q19 to RM124.5 million in 2Q19. The decrease of RM2.2 million or 1.7% was mainly due to:

- Decrease of RM6.3 million in gross earned premiums mainly in Motor and also Non-Motor classes of the general insurance business notably from Fire class; offset by

- Increase of RM4.1 million in investment income mainly from dividend income received from unit trust funds and share of investment income fom MMIP.

The decrease of RM11.5 million or 51.8% in Group's segment profit from RM22.3 million in 1Q19 to RM10.7 million in 2Q19 was mainly due to:

- Increase in management expenses of RM8.5 million due mainly to additional provision for impairment loss on receivables of RM1.2 million as opposed to a reversal of RM4.4 million in 1Q 2019, advertising and marketing expenses of RM2.6 million and employee costs of RM0.3 million;

- Increase in net claims incurred of RM5.9 million due mainly to Motor and Fire classes of general insurance business;

- Decrease in net earned premiums of RM2.4 million, mainly in Fire class of general insurance business, but offset by an increase of RM0.5 million in Travel PA of general reinsurance business; and

- Increase in net commission expenses of RM0.8 million due to lower overriding commission in general insurance business; offset by

- Increase of RM4.1 million in investment income mainly from higher dividend income from unit trust funds and share of investment income from MMIP;

- Increase in fair value gains and realised gains on liquidation of investments of RM1.0 million; and

- Increase in share of results in an associate of RM0.5 million due to higher fair value gains on investments and underwriting results.

17. Performance review (cont'd.)

17.3 Current quarter ("2Q19") against preceding quarter in current year ("1Q19") (cont'd.)

General reinsurance

Operating revenue of this segment reported an increase of RM0.7 million or 2.9%, from RM24.1 million in 1Q19 to RM24.8 million in 2Q19, due mainly to higher gross earned premiums of the Philippines market and increase in investment income from dividend income received from unit trust funds.

The decrease of RM3.3 million or 25.7% in this segment's profit from RM12.8 million in 1Q19 to RM9.5 million in 2Q19 was mainly due to:

- Increase in management expenses of RM4.2 million due mainly to lower reversal of provision for impairment loss on receivables; offset by
- Increase in net earned premiums of RM0.5 mil main from the Philippines market;
- Increase in investment income of RM0.2 million from dividend income received from unit trust funds; and
- Increase in fair value gains and realised gains on liquidation of investments of RM0.2 million.

General insurance

There was a decrease of RM4.3 million or 4.0% in operating revenue of this segment from RM108.7 million in 1Q19 to RM104.4 million in 2Q19, due mainly to:

- Decrease of RM7.5 million in gross earned premiums mainly from Motor and also Non-Motor notably from Fire classes of business; offset by
- Increase of RM3.2 million in investment income mainly from higher dividend income from unit trust funds and share of investment income from MMIP.

Profit of this segment decreased by RM8.5 million or 67.0% from RM12.7 million in 1Q19 to RM4.2 million in 2Q19, mainly due to:

- Increase in net claims incurred of RM5.9 million mainly from Motor and Non-Motor business notably in Fire class;
- Increase in management expenses of RM4.1 million, due mainly to provision for impairment on insurance receivables, professional fees and marketing expenses;
- Decrease in net earned premiums of RM2.4 million mainly from Fire class of business; and
- Increase in net commission expenses of RM0.8 million due to lower overriding commission; offset by
- Increase of RM3.2 million in investment income mainly from higher dividend income from unit trust funds and share of investment income from MMIP; and
- Increase in fair value gains and realised gains on liquidation of investments of RM1.5 million.

18. Commentary on prospects

The Group envisaged that the economic and insurance landscape will continue to be challenging in the region. For the second-half year, the Group will endeavour to maintain the financial results from its operations, whilst managing any impact from potential tax developments. To drive future growth, the Group will intensify its efforts on delivering its key transformational pillars in ASEAN business, AirAsia ecosystems, insurtech capabilities and national business to contribute towards underwriting profits and other incomes leveraging on Insurtech.

19. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial period ended 30 June 2019.

20. Status of corporate proposal

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

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 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, arising from agreed rates adopted by PIAM members with Federation of Automobile Workshop Owners’ Association of Malaysia (“FAWOAM”).

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 but PIAM members have been given the opportunity to make its written representations with MyCC to defend its positions which was done by TIMB.

Subsequently, a fresh hearing was held with the new Chairman of MyCC with the last submission having been made on 18 June 2019.

Todate, TIMB in consultation with its legal counsel, has taken 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 by Bank Negara Malaysia.

As at the 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 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.

LHDN has now filed a Notice of Appeal against the decision of the High Court on 23 May 2019.

(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.

At the case management on 24 June 2019, the Defendant was requested by the Court to conduct an inspection of the Plaintiff's documents and make payment in respect of files which are payable after the inspection in order to reduce the number of files. The matter has been fixed for further case management on 8 July 2019 and trial from 4 to 6 May 2020 and 8 to 11 June 2020.

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 30 June 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 30 June 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 30 June 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