



**Tune Protect Group Berhad (201101020320 [948454-K])**

**Interim Financial Statements**

**For the Quarter and Twelve Months Ended 31 December 2019**

# Tune Protect Group Berhad (201101020320 [948454-K])

## Condensed consolidated statement of financial position

As at 31 December 2019

	As at 31 Dec 2019 Unaudited RM'000	As at 31 Dec 2018 Audited RM'000
<b>Assets</b>		
Property and equipment	4,285	7,838
Intangible assets	4,399	3,838
Right-of-use assets	2,247	-
Investment in an associate	66,145	58,605
Investment in a joint venture company	3,263	4,138
Goodwill	24,165	24,165
Deferred tax assets	2,097	1,731
Investments	786,208	690,039
Reinsurance assets	484,891	451,939
Insurance receivables	130,654	158,735
Other receivables	87,674	97,801
Cash and bank balances	11,704	7,228
<b>Total assets</b>	<b>1,607,732</b>	<b>1,506,057</b>
<b>Equity</b>		
Share capital	248,519	248,519
Employee share option reserves	3,477	4,006
Foreign currency translation reserve	11,209	7,157
Other comprehensive income ("OCI") reserve	86	155
Other reserve	468	124
Retained earnings	295,238	267,114
Equity attributable to owners of the parent	558,997	527,075
Non-controlling interests	139,038	47,614
<b>Total equity</b>	<b>698,035</b>	<b>574,689</b>
<b>Liabilities</b>		
Insurance contract liabilities	782,267	772,555
Deferred tax liabilities	491	1,249
Insurance payables	80,562	111,881
Retirement benefits	392	573
Other payables	43,670	45,110
Lease liabilities	2,315	-
<b>Total liabilities</b>	<b>909,697</b>	<b>931,368</b>
<b>Total equity and liabilities</b>	<b>1,607,732</b>	<b>1,506,057</b>
<b>Net assets per ordinary share attributable to owners of the parent (RM)</b>		
	<b>0.74</b>	<b>0.70</b>

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 (201101020320 [948454-K])

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

	Note	Current quarter		Cumulative quarters	
		3 months ended		12 months ended	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
		RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>		<b>125,832</b>	<b>140,419</b>	<b>500,801</b>	<b>566,122</b>
Gross earned premiums		117,058	132,021	469,281	537,010
Premiums ceded to reinsurers		(52,215)	(56,819)	(214,601)	(241,579)
<b>Net earned premiums</b>		<b>64,843</b>	<b>75,202</b>	<b>254,680</b>	<b>295,431</b>
Investment income	6	8,774	8,398	31,520	29,112
Realised gains and losses		(2,166)	(121)	3,893	1,140
Fair value gains and losses		(2,603)	656	8,416	1,551
Fees and commission income		9,743	7,880	36,929	46,452
Other operating income		492	639	1,698	2,551
<b>Other revenue</b>		<b>14,240</b>	<b>17,452</b>	<b>82,456</b>	<b>80,806</b>
Gross claims paid		(114,773)	(49,801)	(307,153)	(203,641)
Claims ceded to reinsurers		94,587	23,107	211,010	89,601
Gross change to contract liabilities		72,851	(115,489)	(15,094)	(173,362)
Change in contract liabilities ceded to reinsurers		(65,628)	120,864	28,883	186,419
<b>Net claims</b>		<b>(12,963)</b>	<b>(21,319)</b>	<b>(82,354)</b>	<b>(100,983)</b>
Fee and commission expenses		(19,338)	(19,642)	(76,924)	(88,894)
Management expenses		(35,028)	(42,958)	(120,106)	(134,642)
Other operating expenses		(422)	(608)	(270)	(1,515)
Finance costs		(44)	-	(195)	-
<b>Other expenses</b>		<b>(54,832)</b>	<b>(63,208)</b>	<b>(197,495)</b>	<b>(225,051)</b>
Share of results of an associate		716	805	3,184	2,552
Share of results of a joint venture company		281	656	1,177	2,315
<b>Profit before taxation</b>	7	<b>12,285</b>	<b>9,588</b>	<b>61,648</b>	<b>55,070</b>
Taxation	8	(925)	1,617	(3,597)	(2,152)
<b>Net profit for the period</b>		<b>11,360</b>	<b>11,205</b>	<b>58,051</b>	<b>52,918</b>

## Tune Protect Group Berhad (948454-K)

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

	Current quarter		Cumulative quarters	
	3 months ended		12 months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Note	RM'000	RM'000	RM'000	RM'000
<b>Other comprehensive income/(loss):</b>				
<u>Items that will not be subsequently reclassified to profit or loss</u>				
Share of other comprehensive income of an associate	275	163	275	163
Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company	511	266	4,052	441
Other comprehensive income for the period	<b>786</b>	<b>429</b>	<b>4,327</b>	<b>604</b>
<b>Total comprehensive income for the period</b>	<b>12,146</b>	<b>11,634</b>	<b>62,378</b>	<b>53,522</b>
<b>Profit attributable to:</b>				
Owners of the parent	10,638	10,796	50,677	49,505
Non-controlling interests	722	409	7,374	3,413
	<b>11,360</b>	<b>11,205</b>	<b>58,051</b>	<b>52,918</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	11,424	11,224	55,004	50,109
Non-controlling interests	722	410	7,374	3,413
	<b>12,146</b>	<b>11,634</b>	<b>62,378</b>	<b>53,522</b>
<b>Basic and diluted earnings per share attributable to owners of the parent (sen per share)</b>				
9	<b>1.42</b>	<b>1.44</b>	<b>6.74</b>	<b>6.59</b>

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 (201101020320 [948454-K])**

**Condensed consolidated statement of changes in equity  
For the period ended 31 December 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
<b>At 1 January 2019</b>	248,519	-	155	124	4,006	7,157	267,114	527,075	47,614	574,689
Net profit for the period	-	-	-	-	-	-	50,677	50,677	7,374	58,051
Other comprehensive profit for the period	-	-	(69)	344	-	4,052	-	4,327	-	4,327
Total comprehensive income for the period	-	-	(69)	344	-	4,052	50,677	55,004	7,374	62,378
Dividends on ordinary shares	-	-	-	-	-	-	(22,553)	(22,553)	(1,673)	(24,226)
Increase in non-controlling interest arising from reduction of interest in subsidiary	-	-	-	-	-	-	-	-	85,723	85,723
Grant of equity-settled share options to employees	-	-	-	-	(529)	-	-	(529)	-	(529)
<b>At 31 December 2019</b>	<b>248,519</b>	<b>-</b>	<b>86</b>	<b>468</b>	<b>3,477</b>	<b>11,209</b>	<b>295,238</b>	<b>558,997</b>	<b>139,038</b>	<b>698,035</b>
<b>At 1 January 2018</b>	248,519	(4,098)	-	116	4,998	6,716	246,763	503,014	46,063	549,077
Changes on initial application of MFRS 9	-	4,098	-	-	-	-	(6,601)	(2,503)	(20)	(2,523)
<b>At 1 January 2018 (restated)</b>	248,519	-	-	116	4,998	6,716	240,162	500,511	46,043	546,554
Net profit for the period	-	-	-	-	-	-	49,505	49,505	3,413	52,918
Other comprehensive profit for the period	-	-	155	8	-	441	-	604	-	604
Total comprehensive income for the period	-	-	155	8	-	441	49,505	50,109	3,413	53,522
Grant of equity-settled share options to employees	-	-	-	-	(992)	-	-	(992)	-	(992)
Dividends on ordinary shares	-	-	-	-	-	-	(22,553)	(22,553)	(1,842)	(24,395)
<b>At 30 December 2018</b>	<b>248,519</b>	<b>-</b>	<b>155</b>	<b>124</b>	<b>4,006</b>	<b>7,157</b>	<b>267,114</b>	<b>527,075</b>	<b>47,614</b>	<b>574,689</b>

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 (201101020320 [948454-K])

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

	Cumulative quarters 12 months ended	
	31 Dec 2019	31 Dec 2018
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	61,648	55,070
Adjustments for:		
Non-cash items	6,984	14,800
Investment related income	(48,585)	(37,013)
Operating profit before working capital changes	20,047	32,857
Net change in operating assets	15,086	(209,769)
Net change in operating liabilities	(32,060)	163,653
Cash used in operating activities	3,073	(13,259)
Net interest received	9,959	11,377
Net dividend received	18,490	1,041
Rental received	15	31
Retirement benefits	(181)	(193)
Income tax paid	(3,719)	(5,980)
Net cash generated from/(used in) operating activities	27,637	(6,983)
<b>Cash flows from investing activities</b>		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(93,316)	(372,945)
Proceeds from disposal of FVTPL financial assets	136,430	378,237
Cash received from non-controlling interest for units created in subsidiary	68,070	-
(Increase)/decrease in loans and receivables	(98,458)	11,859
Proceeds from disposal of property and equipment	3,011	28
Proceeds from disposal of investment property	-	2,532
Purchase of property and equipment	(1,503)	(1,266)
Purchase of intangible assets	(2,121)	(2,534)
Net cash generated from investing activities	12,113	15,911
<b>Cash flows from financing activity</b>		
Repayment of lease liabilities	(2,389)	-
Dividends paid to equity holders	(22,553)	(22,553)
Dividends paid to non-controlling interests	(1,673)	(1,842)
Net cash used in financing activities	(26,615)	(24,395)
<b>Net increase/(decrease) in cash and cash equivalents</b>	13,135	(15,467)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(25)	70
<b>Cash and cash equivalents at beginning of period</b>	26,304	41,701
<b>Cash and cash equivalents at end of period</b>	39,414	26,304
<b>Cash and cash equivalents comprise:</b>		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	27,710	19,076
Cash and bank balances	11,704	7,228
	39,414	26,304

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 (201101020320 [948454-K])

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

### 1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 31 December 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:

# Tune Protect Group Berhad (201101020320 [948454-K])

## Explanatory Notes Pursuant to MFRS 134 For the period ended 31 December 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 RM4,207,000 as at 1 January 2019.



# Tune Protect Group Berhad (201101020320 [948454-K])

## Explanatory Notes Pursuant to MFRS 134 For the period ended 31 December 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 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.

# **Tune Protect Group Berhad (201101020320 [948454-K])**

## **Explanatory Notes Pursuant to MFRS 134 For the period ended 31 December 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 financial and operational impacts for adopting MFRS 17 and in the process of selecting vendor/consultants for software and Phase II implementation .

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 2020.

### **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 December 2019.

## Tune Protect Group Berhad (201101020320 [948454-K])

### Explanatory Notes Pursuant to MFRS 134 For the period ended 31 December 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 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 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
<b>Operating revenue</b>												
External	1,531	2,269	9,591	6,850	76,357	71,208	413,322	485,795	-	-	500,801	566,122
Inter-segment	21,096	39,612	-	-	24,018	48,234	5,712	6,221	(50,826)	(94,067)	-	-
	<u>22,627<sup>1</sup></u>	<u>41,881</u>	<u>9,591</u>	<u>6,850</u>	<u>100,375<sup>2</sup></u>	<u>119,442</u>	<u>419,034<sup>3</sup></u>	<u>492,016</u>	<u>(50,826)</u>	<u>(94,067)</u>	<u>500,801<sup>4</sup></u>	<u>566,122</u>
<b>Segment profit</b>	<u>3,631</u>	<u>24,526</u>	<u>13,207</u>	<u>7,366</u>	<u>38,632</u>	<u>42,843</u>	<u>37,241</u>	<u>23,328</u>	<u>(31,062)</u>	<u>(42,994)</u>	<u>61,648</u>	<u>55,070</u>
<b>Segment assets</b>	<u>278,374</u>	<u>296,025</u>	<u>267,700</u>	<u>160,303</u>	<u>180,196</u>	<u>158,785</u>	<u>1,193,695</u>	<u>1,193,582</u>	<u>(313,624)</u>	<u>(302,638)</u>	<u>1,607,732</u>	<u>1,506,057</u>
<b>Segment liabilities</b>	<u>5,062</u>	<u>2,580</u>	<u>1,269</u>	<u>69</u>	<u>20,779</u>	<u>26,087</u>	<u>887,256</u>	<u>911,613</u>	<u>(10,116)</u>	<u>(8,981)</u>	<u>909,697</u>	<u>931,368</u>

<sup>1</sup> includes investment income of RM22.627 million

<sup>2</sup> includes investment income of RM3.507 million

<sup>3</sup> includes investment income of RM22.603 million

<sup>4</sup> includes investment income of RM31.520 million

## Tune Protect Group Berhad (201101020320 [948454-K])

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

#### 6. Investment income

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Rental income from property	-	13	15	31
Interest income:				
- financial assets at amortised cost	371	192	1,007	1,458
- financial assets at FVTPL	3,062	2,033	10,456	7,534
- bank balances	7	1	46	75
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	699	1,554	3,529	2,033
Dividend income:				
- financial assets at FVTPL	4,635	4,605	16,467	17,981
	<u>8,774</u>	<u>8,398</u>	<u>31,520</u>	<u>29,112</u>

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Depreciation of property and equipment	414	524	1,638	1,798
Depreciation of investment property	-	3	-	23
Depreciation of right-of-use assets	573	-	2,261	-
Amortisation of intangible assets	176	505	1,544	1,562
Allowance for impairment losses on insurance receivables	6,117	10,181	1,051	12,600
Allowance for/(reversal) of impairment losses on reinsurance assets	53	437	(145)	437
Interest expense on lease liabilities	44	-	195	-
Write-off of property and equipment	5	12	18	12
Write-off of intangible assets	10	-	10	-

## Tune Protect Group Berhad (201101020320 [948454-K])

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

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

	Current quarter		Cumulative quarters	
	3 months ended		12 months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Realised (gains)/losses on disposal of:				
- property and equipment	2,708	8	395	(1)
- investment property	-	344	-	344
- a subsidiary	-	-	-	10
- financial assets at FVTPL	(542)	(231)	(4,288)	(1,493)
Net realised (gains)/losses	2,166	121	(3,893)	(1,140)
Fair value losses/(gains) on financial assets carried at FVTPL	2,603	(656)	(8,416)	(1,551)
(Gain)/loss on foreign exchange - realised	(92)	577	(261)	1,503
(Gain)/loss on foreign exchange - unrealised	374	(205)	170	(983)

#### 8. Taxation

	Current quarter		Cumulative quarters	
	3 months ended		12 months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Income tax	1,899	(697)	4,622	2,898
Deferred tax	(974)	(920)	(1,025)	(746)
	925	(1,617)	3,597	2,152
Effective tax rate	8%	(17%)	6%	4%

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 (201101020320 [948454-K])

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

#### 9. Earnings per share (cont'd.)

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to owners of the parent (RM'000)	10,638	10,796	50,677	49,505
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	1.44	6.74	6.59

#### 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 31 December 2019.

## Tune Protect Group Berhad (201101020320 [948454-K])

### Explanatory Notes Pursuant to MFRS 134 For the period ended 31 December 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	Ob-servable inputs (Level 2) RM'000	Unob-servable inputs (Level 3) RM'000	Total RM'000
<b>Assets measured at fair value:</b>					
<b>31 December 2019</b>					
<b>Financial assets at FVTPL:</b>					
Unquoted debt securities in Malaysia	31 December 2019	-	274,845	-	274,845
Quoted unit trust funds in Malaysia	31 December 2019	473,034	-	-	473,034
Unquoted equity securities in the United Kingdom	31 December 2019	-	-	2,986	2,986
		<u>473,034</u>	<u>274,845</u>	<u>2,986</u>	<u>750,865</u>

## Tune Protect Group Berhad (201101020320 [948454-K])

### Explanatory Notes Pursuant to MFRS 134 For the period ended 31 December 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
<b>Assets measured at fair value: (cont'd.)</b>					
<b>31 December 2018</b>					
<b>Financial assets at FVTPL:</b>					
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
		<u>481,581</u>	<u>169,518</u>	<u>2,673</u>	<u>653,772</u>

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 recently transacted disposal price.



## Tune Protect Group Berhad (201101020320 [948454-K])

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

### 13. Capital commitments

	<u>As at</u> <u>31 Dec</u> <u>2019</u> <u>RM'000</u>	<u>As at</u> <u>31 Dec</u> <u>2018</u> <u>RM'000</u>
<b>Capital expenditure:</b>		
Approved but not contracted for:		
Intangible assets	46,811	29,674
Property and equipment	1,853	980
	<u>48,664</u>	<u>30,654</u>

### 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.

<b>Name of company</b>	<b>Relationship</b>
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

## Tune Protect Group Berhad (201101020320 [948454-K])

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

#### 15. Related party transactions (cont'd.)

	Current quarter		Cumulative quarters	
	3 months ended		12 months ended	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
<b>Income/(expenses):</b>				
<b>AAB</b>				
Gross written premium	9,162	12,624	33,027	45,442
Fee and commission expenses	(2,291)	(3,169)	(8,257)	(11,361)
Data management fee	(5)	(7)	(22)	(32)
<b>AAX</b>				
Gross written premium	2,015	2,718	7,272	11,201
Fee and commission expenses	(504)	(679)	(1,818)	(2,800)
<b>PTAA</b>				
Gross written premium	564	609	1,970	1,811
Fee and commission expenses	(141)	(153)	(492)	(453)
Telemarketing commission expenses	(1)	(2)	(6)	(8)
<b>TAA</b>				
Gross written premium	257	452	1,107	1,807
Fee and commission expenses	(64)	(113)	(277)	(452)
Telemarketing commission expenses	(3)	(4)	(13)	(19)
<b>TGSB</b>				
Royalty fee	(1,389)	(1,507)	(5,646)	(6,506)
Rental and utilities charges	(376)	(314)	(1,459)	(1,571)
<b>SP&amp;G</b>				
Brokerage fee	(95)	(83)	(1,149)	(980)
<b>Rokki</b>				
Advertisement expenses	(50)	-	(500)	-
<b>TPCBLLC</b>				
Facilitator fees	(1,230)	(1,936)	(5,774)	(7,235)

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.

## Tune Protect Group Berhad (201101020320 [948454-K])

### Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

For the period ended 31 December 2019

#### 17. Performance review

##### 17.1 Current quarter ("4Q19") against corresponding quarter in prior year ("4Q18")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 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
	<b>Current quarter 3 months ended</b>											
Operating revenue												
External	300	492	2,946	1,806	20,377	18,840	102,209	119,281	-	-	125,832	140,419
Inter-segment	1,011	-	-	-	5,936	14,051	1,472	1,032	(8,419)	(15,083)	-	-
	1,311	492	2,946	1,806	26,313	32,891	103,681	120,313	(8,419)	(15,083)	125,832	140,419
Segment (loss)/profit	(2,901)	(1,401)	1,976	2,102	6,391	9,820	10,634	311	(3,815)	(1,245)	12,285	9,588

#### Group/Consolidated

The Group's operating revenue decreased from RM140.4 million in 4Q18 to RM125.8 million in 4Q19. The decrease of RM14.6 million or 10.4% was mainly due to:

- Decrease of RM15.0 million in gross earned premiums mainly attributed by Motor RM15.7 million and Non-Motor RM0.6 million arising mainly from Engineering, Fire, Medical, Personal Accident and Workmen Compensation classes of general insurance business, but offset by increase in Travel PA business of RM1.3 million in general reinsurance business; offset by
- Increase of RM0.4 million in investment income due mainly to higher dividend income from unit trusts funds and interest income of RM1.2 million, offset by lower share of investment income from MMIP of RM0.8 million.

The increase of RM2.7 million or 28.1% in Group's profit before tax from RM9.6 million in 4Q18 to RM12.3 million in 4Q19 was mainly due to:

- Decrease in net claims incurred of RM8.4 million due to favourable prior years claims development in general insurance business;
- Decrease in management expenses of RM7.9 million mainly due to decrease in administrative and general expenses of RM7.4 million (arising from lower allowances for impairment of RM4.5 million and other administrative and general expenses of RM2.9 million) and decrease in employee costs of RM1.8 million. However, the decrease is offset by increase in advertising and other marketing expenses of RM1.3 million; offset by
- Decrease in net earned premiums of RM10.4 million, attributable to the decrease of RM3.6 million mainly from Motor and Workmen Compensation of general insurance business, as well as RM6.8 million mainly from the Malaysian Travel class of general reinsurance business as a result of lower quota share effect; and
- Decrease in fair value gains on investments of RM3.2 million.

## **Tune Protect Group Berhad (201101020320 [948454-K])**

**Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B,  
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### **17. Performance review (cont'd.)**

#### **17.1 Current quarter ("4Q19") against corresponding quarter in prior year ("4Q18") (cont'd.)**

##### **General reinsurance**

Operating revenue of this segment decreased by RM6.6 million or 20.0% from RM32.9 million in 4Q18 to RM26.3 million in 4Q19, mainly due to:

- Decrease in gross earned premiums of RM6.8 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 from unit trust funds.

The decrease of RM3.4 million or 34.9% in this segment's profit from RM9.8 million in 4Q18 to RM6.4 million in 4Q19 was mainly due to:

- Decrease in net earned premiums of RM6.8 million attributed mainly to the Malaysian market as a result of lower quota share effect; offset by
- Decrease in net commission expense of RM1.7 million in tandem with decrease in premiums; and
- Decrease in management expenses of RM1.7 million mainly due to lower provision for impairment loss on receivables.

##### **General insurance**

Operating revenue of this segment decreased by RM16.6 million or 13.8% from RM120.3 million in 4Q18 to RM103.7 million in 4Q19 attributed to:

- Decrease in gross earned premium of RM16.3 million mainly attributed to Motor RM15.7 million and Non-Motor RM0.6 million arising mainly from Engineering, Fire, Medical, Personal Accident and Workmen Compensation classes business; and
- Decrease of RM0.3 million in investment income due mainly to lower share of investment income from MMIP of RM0.8 million, offset by higher dividend income from unit trusts funds and interest income of RM0.5 million.

The increase of RM10.3 million in this segment's profit from RM0.3 million in 4Q18 to RM10.6 million in 4Q19 was mainly due to:

- Decrease in management expenses of RM8.4 million due mainly to decrease in provision for impairment loss on receivables by RM3.4 million, stamp duty and other taxes RM0.8 million, printing and stationery RM1.4 million and employee costs of RM2.8 million;
- Decrease in net claims incurred of RM8.7 million due to favourable prior years claims development; and
- Decrease in net commission of RM0.5 million mainly due to reversal of profit commission accruals; offset by

## Tune Protect Group Berhad (201101020320 [948454-K])

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For the period ended 31 December 2019

#### 17. Performance review (cont'd.)

##### 17.1 Current quarter ("4Q19") against corresponding quarter in prior year ("4Q18") (cont'd.)

###### General insurance (cont'd.)

- Decrease in fair value gains and realised gains on liquidation of investments of RM3.7 million; and
- Decrease in net earned premiums of RM3.6 million, mainly from Motor, Workmen Compensation, Medical and Fire classes of business.

##### 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	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 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
	<b>Cumulative quarters 12 months ended</b>											
<b>Operating revenue</b>												
External	1,531	2,269	9,591	6,850	76,357	71,208	413,322	485,795	-	-	500,801	566,122
Inter-segment	21,096	39,612	-	-	24,018	48,234	5,712	6,221	(50,826)	(94,067)	-	-
	<u>22,627</u>	<u>41,881</u>	<u>9,591</u>	<u>6,850</u>	<u>100,375</u>	<u>119,442</u>	<u>419,034</u>	<u>492,016</u>	<u>(50,826)</u>	<u>(94,067)</u>	<u>500,801</u>	<u>566,122</u>
<b>Segment profit</b>	3,631	24,526	13,207	7,366	38,632	42,843	37,241	23,328	(31,062)	(42,994)	61,648	55,070

###### Group/Consolidated

The Group's operating revenue decreased by RM65.3 million or 11.5% from RM566.1 million in YTD 2018 to RM500.8 million in YTD 2019, mainly due to:

- Decrease of RM67.7 million in gross earned premiums mainly attributed to Motor RM35.3 million and all classes in Non-Motor business except for Marine Cargo and Marine Hull of RM37.2 million of general insurance business but offset by Travel Personal Accident RM4.8 million of general reinsurance business; offset by
- Increase of RM2.4 million in investment income mainly due to higher share of investment income from MMIP of RM1.5 million and dividend income from unit trust funds of RM1.2 million, offset by lower interest income of RM0.3 million.

The Group's segment profit increased from RM55.1 million in YTD 2018 to RM61.7 million in YTD 2019. The increase of RM6.5 million or 11.9% was due mainly to:

- Increase in fair value gains and realised gains on liquidation of investments of RM9.5 million;
- Increase in investment income of RM2.4 million mainly due to higher share of investment income from MMIP of RM1.5 million and dividend income from unit trust funds of RM1.2 million, offset by lower interest income of RM0.3 million;

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### **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.)**

- Increase in other income net of expenses of RM0.3 million;
- Decrease in management expenses of RM14.5 million mainly due to decrease in administrative and general expenses of RM15.6 million (arising from lower allowances for impairment of RM12.1 million, and other administrative and general expenses of RM3.5 million), decrease in employee costs of RM2.9 million and IT expenses of RM0.3 million. However, the decrease is offset by increase in depreciation of RM2.0 million due to adoption of MFRS 16, in which right-of-use assets are depreciated on straight-line basis and marketing expenses of RM2.3 million;
- Decrease in net claims incurred of RM18.6 million due to favourable prior years claims development in general insurance business;
- Decrease in net commission expense of RM2.4 million in tandem with decrease in premiums; offset by
- Decrease in net earned premiums of RM40.7 million, attributable to the decrease of RM21.5 million mainly from Motor and Workmen Compensation of general insurance business, as well as RM19.2 million mainly from the Travel class of general reinsurance business; and
- Decrease in share of results of an associate and joint-venture companies of RM0.5 million.

##### **General reinsurance**

Operating revenue of this segment decreased by RM19.0 million or 16.0% from RM119.4 million in YTD 2018 to RM100.4 million in YTD 2019, mainly due to:

- Decrease in gross earned premiums of RM19.4 million attributed mainly to the Malaysian market as a result of lower quota share effect; offset by
- Increase in investment income of RM0.4 million from dividend income from unit trust funds.

The decrease of RM4.2 million or 9.8% in this segment's profit from RM42.8 million in YTD 2018 to RM38.6 million in YTD 2019 was mainly due:

- Decrease in net earned premiums of RM19.2 million mainly attributed to the Malaysian market as a result of lower quota share effect; and
- Decrease in realised gains on investments of RM0.7 million; offset by
- Decrease in net commission expense of RM7.0 million in tandem with decrease in premiums;

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### **Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

**For the period ended 31 December 2019**

#### **17. Performance review (cont'd.)**

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

###### **General reinsurance (cont'd.)**

- Decrease in management expenses of RM7.2 million mainly due to lower provision for impairment loss on receivables of RM9.8 million and royalty fees of RM0.8 million, but offset by marketing and employee costs of RM3.0 million and RM0.4 million respectively; and
- Increase in fair value gains and realised gains on investments of RM1.5 million.

###### **General insurance**

Operating revenue of this segment decreased by RM73.0 million or 14.8% from RM492.0 million in YTD 2018 to RM419.0 million in YTD 2019, mainly due to:

- Decrease of RM72.5 million in gross earned premiums mainly attributed to Motor RM35.3 million and all classes in Non-Motor business except for Marine Cargo and Marine Hull of RM37.2 million; and
- Decrease of RM0.5 million in investment income due mainly to lower dividend income from unit trusts funds and interest income of RM2.0 million offset by higher share of investment income from MMIP of RM1.5 million.

Profit of this segment increased by RM13.9 million or 59.6% from RM23.3 million in YTD 2018 to RM37.2 million in YTD 2019, due mainly to:

- Increase in fair value gains and realised gains on liquidation of investments and property of RM10.8 million;
- Decrease in net claims incurred of RM19.0 million due to favourable prior years claims development;
- Decrease in management expenses of RM10.5 million mainly due to lower employee costs of RM6.0 million, lower provision for impairment loss on receivables of RM3.0 million, stamp duty and other taxes of RM0.8 million and bank charges of RM0.7 million; and
- Increase in other income net of expenses of RM0.1 million; offset by
- Decrease in net earned premiums of RM21.5 million, mainly from Motor RM17.6 million and Non-Motor RM3.9 million notably Workmen Compensation class of business;
- Increase in net commission expenses of RM4.5 million due to higher Motor retention coupled with lower Fire and Engineering overriding commissions; and
- Decrease in investment income of RM0.5 million due mainly to lower dividend income from unit trusts funds and interest income of RM2.0 million offset by higher share of investment income from MMIP of RM1.5 million.

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For the period ended 31 December 2019

#### 17. Performance review (cont'd.)

#### 17.3 Current quarter ("4Q19") against preceding quarter in current year ("3Q19")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Dec 2019	30 Sept 2019	31 Dec 2019	30 Sept 2019	31 Dec 2019	30 Sept 2019	31 Dec 2019	30 Sept 2019	31 Dec 2019	30 Sept 2019	31 Dec 2019	30 Sept 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
	Current quarter 3 months ended											
Operating revenue												
External	300	307	2,946	2,735	20,377	20,197	102,209	100,604	-	-	125,832	123,843
Inter-segment	1,011	0	-	-	5,936	4,938	1,472	1,752	(8,419)	(6,690)	-	-
	1,311	307	2,946	2,735	26,313	25,135	103,681	102,356	(8,419)	(6,690)	125,832	123,843
Segment (loss)/profit	(2,901)	(5,453)	1,976	4,336	6,391	9,861	10,634	9,751	(3,815)	(2,175)	12,285	16,321

#### Group/Consolidated

The Group's operating revenue increased from RM123.8 million in 3Q19 to RM125.8 million in 4Q19. The increase of RM2.0 million or 1.6% was mainly due to:

- Increase of RM0.8 million in investment income mainly from dividend income from unit trust funds of RM1.2 million but offset by lower share of investment income from MMIP of RM0.4 million; and
- Increase of RM1.2 million in gross earned premiums mainly in Offshore class in the general insurance business.

The decrease of RM4.0 million or 24.7% in Group's segment profit from RM16.3 million in 3Q19 to RM12.3 million in 4Q19 was mainly due to:

- Increase in management expenses of RM7.1 million mainly due to higher provision for impairment loss on receivables of RM8.1 million and printing costs of RM0.5 million, offset by lower professional and legal fees of RM1.5 million;
- Decrease in fair value and realised gains on liquidation of investments of RM13.2 million; offset by
- Increase in net earned premiums of RM3.2 million, mainly attributable to RM1.7 million in Motor and RM0.5 million in Fire classess of general insurance business and RM1.0 million in Travel Personal Accident of general reinsurance business;
- Decrease in net claims incurred of RM12.0 million due to favourable prior years claims development;
- Increase in investment income of RM0.8 million mainly from higher dividend income from unit trust funds of RM1.2 million offset by lower share of investment income from MMIP of RM0.4 million; and
- Decrease in net commission expense of RM0.3 million.



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#### **17. Performance review (cont'd.)**

##### **17.3 Current quarter ("4Q19") against preceding quarter in current year ("3Q19") (cont'd.)**

###### **General reinsurance**

Operating revenue of this segment reported an increase of RM1.2 million or 4.7%, from RM25.1 million in 3Q19 to RM26.3 million in 4Q19, due mainly to higher gross earned premiums of RM1.1 million mainly in Thailand market and higher investment income of RM0.1 million from dividend income of unit trust funds.

The decrease of RM3.5 million or 35.2% in this segment's profit from RM9.9 million in 3Q19 to RM6.4 million in 4Q19 was mainly due to:

- Increase in management expenses of RM2.7 million due mainly to higher provision for impairment loss on receivables of RM3.2 million, but offset by decrease in other professional fees of RM0.3 million and marketing costs of RM0.2 million;
- Increase in net claims incurred of RM0.5 million due to additional reserving; and
- Decrease in fair value gains and realised gains on liquidation of investments of RM0.3 million.

###### **General insurance**

Operating revenue of this segment reported an increase of RM1.3 million or 1.3%, from RM102.4 million in 3Q19 to RM103.7 million in 4Q19, due mainly to:

- Increase of RM1.2 million in gross earned premiums mainly from Offshore class of business;
- Increase of RM0.1 million in investment income mainly from dividend income from unit trust funds of RM0.5 million but offset by lower share of investment income from MMIP of RM0.4 million.

Profit of this segment increased by RM0.9 million or 9.1% from RM9.7 million in 3Q19 to RM10.6 million in 4Q19, mainly due to:

- Decrease in net claims incurred of RM12.5 million due to favourable prior years claims development;
- Increase in net earned premiums of RM2.2 million, mainly RM1.7 million in Motor and RM0.5 million in Fire classes of business;
- Decrease in net commission of RM1.2 million mainly due to reversal of profit commission accruals; and
- Increase in investment income of RM0.1 million and other income net of expense of RM0.5 million; offset by
- Increase in management expenses of RM6.4 million, due mainly to higher provision for impairment on insurance receivables of RM5.1 million, other professional fees of RM0.4 million, office supplies expenses of RM0.5 million and printing cost of RM0.4 million; and

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### **17. Performance review (cont'd.)**

#### **17.3 Current quarter ("4Q19") against preceding quarter in current year ("3Q19") (cont'd.)**

##### **General insurance (cont'd.)**

- Decrease in fair value gains and realised gains on liquidation of investments of RM9.2 million.

### **18. Commentary on prospects**

The upcoming financial year will continue to be challenging with the ongoing pressures in the insurance and economic environment. Some business impact is envisaged from the local political landscape and the recent worldwide health emergency of COVID-19. We expect these effects to be short-term with the expectation that tourism would rebound in the second-half boosted by the various initiatives undertaken in ASEAN countries and the budget stimulus announcement in Malaysia. Although there will be some impact on performance, over the course of the year, the Group will endeavour to deliver satisfactory financial results through portfolio rebalancing strengthened by the ongoing transformation initiatives and strategies.

### **19. Profit forecast or profit guarantee**

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

## **Tune Protect Group Berhad (201101020320 [948454-K])**

**Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B,  
Part A  
For the period ended 31 December 2019**

### **21. Material litigation (cont'd.)**

#### **(a) Update to the Malaysian Competition Commission ("MyCC")'s Proposed Decision against PIAM and its 22 members (cont'd.)**

Subsequently, a fresh hearing was held with the new Chairman of MyCC with the last submission having been made on 18 June 2019. TIMB is now waiting for the decision on this matter.

To date, 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.

#### **(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. The Court has fixed for the hearing of the Appeal to be on 16 March 2020 and instructed parties to file Written Submissions by 2 March 2020.

#### **(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.

## **Tune Protect Group Berhad (201101020320 [948454-K])**

### **Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

**For the period ended 31 December 2019**

#### **21. Material litigation (cont'd.)**

##### **(c) On-going litigation with a foreign reinsurer ("the Reinsurer") (cont'd.)**

At the Court to review the case files at the Plaintiff's lawyer's office and are required to revert to the Plaintiff with their findings/outcome of the review by 31 March 2020.

The matter is now fixed for case management on 31 March 2020 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 31 December 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 December 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 December 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**

Teh Peng Peng  
Company Secretary