



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

Interim Financial Statements

For the Quarter and Three Months Ended 31 March 2020

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

Condensed consolidated statement of financial position As at 31 March 2020

	As at 31 Mar 2020 Unaudited RM'000	As at 31 Dec 2019 Audited RM'000
Assets		
Property and equipment	4,013	4,282
Intangible assets	4,922	4,402
Right-of-use assets	6,288	2,247
Investment in an associate	62,422	66,145
Investment in a joint venture company	3,534	3,263
Goodwill	24,165	24,165
Deferred tax assets	2,104	2,178
Investments	817,018	786,207
Reinsurance assets	487,701	483,927
Insurance receivables	169,900	130,654
Other receivables	87,334	87,724
Cash and bank balances	13,528	11,704
Total assets	1,682,929	1,606,898
Equity		
Share capital	248,519	248,519
Employee share option reserves	3,435	3,477
Foreign currency translation reserve	9,614	11,209
Other comprehensive income ("OCI") reserve	499	499
Other reserve	55	55
Retained earnings	297,738	295,238
Equity attributable to owners of the parent	559,860	558,997
Non-controlling interests	139,310	139,038
Total equity	699,170	698,035
Liabilities		
Insurance contract liabilities	791,554	781,305
Deferred tax liabilities	456	572
Insurance payables	137,771	80,559
Retirement benefits	392	392
Other payables	47,214	43,720
Lease liabilities	6,372	2,315
Total liabilities	983,759	908,863
Total equity and liabilities	1,682,929	1,606,898
Net assets per ordinary share attributable to owners of the parent (RM)	0.74	0.74

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

Condensed consolidated statement of comprehensive income For the period ended 31 March 2020

		Current quarter 3 months ended	
		31 Mar 2020	31 Mar 2019
Note		RM'000	RM'000
	Operating revenue	122,356	126,665
	Gross earned premiums	115,042	121,326
	Premiums ceded to reinsurers	(56,670)	(56,266)
	Net earned premiums	58,372	65,060
	Investment income	7,314	5,339
	Realised gains and losses	689	471
	Fair value gains and losses	(6,419)	3,355
	Fees and commission income	10,292	11,736
	Other operating income	2,353	775
	Other revenue	14,229	21,676
	Gross claims paid	(37,836)	(67,282)
	Claims ceded to reinsurers	21,822	37,505
	Gross change to contract liabilities	(16,934)	11,574
	Change in contract liabilities ceded to reinsurers	10,079	(1,049)
	Net claims	(22,869)	(19,252)
	Fee and commission expenses	(18,250)	(21,532)
	Management expenses	(24,798)	(24,308)
	Other operating expenses	(1,197)	(298)
	Finance costs	(54)	(58)
	Other expenses	(44,299)	(46,196)
	Share of results of an associate	(1,950)	561
	Share of results of a joint venture company	94	446
	Profit before taxation	3,577	22,295
	Taxation	(805)	(2,145)
	Net profit for the period	2,772	20,150

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of comprehensive income (cont'd.)
For the period ended 31 March 2020

	Note	Current quarter	
		3 months ended	
		31 Mar 2020	31 Mar 2019
		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		(1,595)	583
Other comprehensive income for the period		(1,595)	583
Total comprehensive income for the period		1,177	20,733
Profit attributable to:			
Owners of the parent		2,500	18,342
Non-controlling interests		272	1,808
		2,772	20,150
Total comprehensive income attributable to:			
Owners of the parent		905	18,925
Non-controlling interests		272	1,808
		1,177	20,733
Basic and diluted earnings per share attributable to owners of the parent (sen per share)			
	9	0.33	2.44

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

**Condensed consolidated statement of changes in equity
For the period ended 31 March 2020**

	Attributable to the owners of the parent								Total equity RM'000
	Non-distributable					Distributable		Non-controlling interests RM'000	
	Share capital RM'000	Other OCI reserve RM'000	Other reserve RM'000	Employee share option reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000		
At 1 January 2020	248,519	499	55	3,477	11,209	295,238	558,997	139,038	698,035
Net profit for the period	-	-	-	-	-	2,500	2,500	272	2,772
Other comprehensive profit for the period	-	-	-	-	(1,595)	-	(1,595)	-	(1,595)
Total comprehensive income for the period	-	-	-	-	(1,595)	2,500	905	272	1,177
Grant of equity-settled share options to employees	-	-	-	(42)	-	-	(42)	-	(42)
At 31 March 2020	248,519	499	55	3,435	9,614	297,738	559,860	139,310	699,170
At 1 January 2019	248,519	155	124	4,006	7,157	267,114	527,075	47,614	574,689
Net profit for the period	-	-	-	-	-	18,342	18,342	1,808	20,150
Other comprehensive profit for the period	-	-	-	-	583	-	583	-	583
Total comprehensive income for the period	-	-	-	-	583	18,342	18,925	1,808	20,733
Grant of equity-settled share options to employees	-	-	-	(356)	-	-	(356)	-	(356)
At 31 March 2019	248,519	155	124	3,650	7,740	285,456	545,644	49,422	595,066

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

Condensed consolidated statement of cash flows For the period ended 31 March 2020

	Current quarter 3 months ended	
	31 Mar 2020	31 Mar 2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	3,577	22,295
Adjustments for:		
Non-cash items	219	(3,100)
Investment related income	272	(10,167)
Operating profit before working capital changes	4,068	9,028
Net change in operating assets	(46,966)	(8,192)
Net change in operating liabilities	75,180	(18,955)
Cash used in operating activities	32,282	(18,119)
Net interest received	827	771
Net dividend received	4,510	2,316
Rental received	-	11
Retirement benefits	-	-
Income tax paid	(478)	(1,302)
Net cash generated from/(used in) operating activities	37,141	(16,323)
Cash flows from investing activities		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(61,046)	(20,897)
Proceeds from disposal of FVTPL financial assets	45,434	27,694
(Increase)/decrease in loans and receivables	(521)	(5,524)
Proceeds from disposal of property and equipment	2	14
Purchase of property and equipment	(149)	(170)
Purchase of intangible assets	(859)	(345)
Net cash (used in)/generated from investing activities	(17,139)	771
Cash flows from financing activity		
Repayment of lease liabilities	(544)	(357)
Net cash used in financing activities	(544)	(357)
Net increase/(decrease) in cash and cash equivalents	19,459	(15,909)
Effect of exchange rate changes on cash and cash equivalents	86	(3)
Cash and cash equivalents at beginning of period	39,414	26,304
Cash and cash equivalents at end of period	58,959	10,392
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	45,431	5,407
Cash and bank balances	13,528	4,985
	58,959	10,392

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

1. Basis of preparation

The condensed consolidated interim financial statements, for the period ended 31 March 2020, 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 2019.

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 2019.

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 2020 and which were adopted by the Group on 1 January 2020.

Amendments to MFRS 3 *Definition of a Business*

Amendments to MFRS 101 *Definition of Material* and Amendments to MFRS 108
Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 9 and MFRS 7 *Interest Rate* Benchmark Reform

The adoption of the above pronouncements did not have any material impact to the current and prior period financial statements of the Group.

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
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
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:

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

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

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

MFRS 17 *Insurance Contracts*

On 15 August 2017, MASB issued MFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2011. MFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach) which is not applicable to the Group's contracts; and
- A simplified approach (the premium allocation approach), mainly for short-duration

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, as the Group and the Company have applied MFRS 9 and MFRS 15 before the date it first applies MFRS 17.

The Group has completed the assessment of the operational impacts for adopting MFRS 17 and intend to assess the financial impacts in the financial year ending 2020.

On 17 March 2020, the IASB had agreed to defer the effective date of IFRS 17 *Insurance Contracts*, including other related amendments to financial years beginning on or after 1 January 2023.

3. Change in estimates

There were no changes in estimates that have had a material effect on the current interim results.

4. Changes in composition of the Group

There were no changes in composition of the Group during the period ended 31 March 2020.

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

5. Segment information

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

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

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	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	301	467	2,994	1,902	17,800	17,200	101,260	107,096	-	-	122,356	126,665
Inter-segment	-	8,143	-	-	3,562	6,909	2,091	1,564	(5,653)	(16,616)	-	-
	<u>301¹</u>	<u>8,610</u>	<u>2,994</u>	<u>1,902</u>	<u>21,362²</u>	<u>24,109</u>	<u>103,351³</u>	<u>108,660</u>	<u>(5,653)</u>	<u>(16,616)</u>	<u>122,356⁴</u>	<u>126,665</u>
Segment profit/(loss)	<u>(3,799)</u>	<u>4,233</u>	<u>621</u>	<u>2,927</u>	<u>8,000</u>	<u>12,836</u>	<u>1,155</u>	<u>12,670</u>	<u>(2,398)</u>	<u>(10,371)</u>	<u>3,577</u>	<u>22,295</u>
Segment assets	<u>280,140</u>	<u>300,366</u>	<u>267,128</u>	<u>170,363</u>	<u>187,698</u>	<u>156,975</u>	<u>1,273,360</u>	<u>1,192,550</u>	<u>(325,396)</u>	<u>(303,341)</u>	<u>1,682,929</u>	<u>1,516,913</u>
Segment liabilities	<u>7,614</u>	<u>3,665</u>	<u>77</u>	<u>6,769</u>	<u>20,520</u>	<u>19,949</u>	<u>966,766</u>	<u>899,706</u>	<u>(11,218)</u>	<u>(8,242)</u>	<u>983,759</u>	<u>921,847</u>

¹ includes investment income of RM0.301 million

² includes investment income of RM1.210 million

³ includes investment income of RM4.899 million

⁴ includes investment income of RM7.314 million

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

6. Investment income

	Current quarter 3 months ended	
	31 Mar 2020	31 Mar 2019
	RM'000	RM'000
Rental income from property	-	11
Interest income:		
- financial assets at amortised cost	265	166
- financial assets at FVTPL	3,110	2,187
- bank balances	9	15
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	(580)	644
Dividend income:		
- financial assets at FVTPL	4,510	2,316
	<u>7,314</u>	<u>5,339</u>

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

	Current quarter 3 months ended	
	31 Mar 2020	31 Mar 2019
	RM'000	RM'000
Depreciation of property and equipment	419	399
Depreciation of investment property	-	-
Depreciation of right-of-use assets	509	579
Amortisation of intangible assets	338	368
(Reversal)/allowance for impairment losses on insurance receivables	(864)	(4,211)
(Reversal)/allowance of impairment losses on reinsurance assets	-	(195)
Write-off of property and equipment	-	7

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

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

	Current quarter 3 months ended	
	31 Mar 2020	31 Mar 2019
	RM'000	RM'000
Realised (gains)/losses on disposal of:		
- property and equipment	(1)	(4)
- financial assets at FVTPL	(688)	(467)
Net realised (gains)/losses	(689)	(471)
Fair value losses/(gains) on financial assets carried at FVTPL	6,419	(3,355)
(Gain)/loss on foreign exchange - realised	(142)	(232)
(Gain)/loss on foreign exchange - unrealised	(212)	159

8. Taxation

	Current quarter 3 months ended	
	31 Mar 2020	31 Mar 2019
	RM'000	RM'000
Income tax	824	123
Deferred tax	(19)	2,022
	<u>805</u>	<u>2,145</u>
Effective tax rate	<u>23%</u>	<u>10%</u>

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 period.

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

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	
	31 Mar 2020	31 Mar 2019
	RM'000	RM'000
Profit net of tax attributable to owners of the parent (RM'000)	2,500	18,342
Number of ordinary shares in issue ('000)	751,760	751,760
Basic and diluted earnings per share (sen per share)	<u>0.33</u>	<u>2.44</u>

10. Share capital

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

11. Dividends

No interim dividend has been declared for the financial period ended 31 March 2020.

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

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
Assets measured at fair value:					
31 March 2020					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 March 2020	-	271,586	-	271,586
Quoted unit trust funds in Malaysia	31 March 2020	488,162	-	-	488,162
		<u>488,162</u>	<u>271,586</u>	<u>-</u>	<u>759,748</u>

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

12. Fair value measurement (cont'd.)

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

	Date of valuation	Quoted market price (Level 1) RM'000	Ob-servable inputs (Level 2) RM'000	Unob-servable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value: (cont'd.)					
31 December 2019					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 December 2019	-	274,845	-	274,845
Quoted unit trust funds in Malaysia	31 December 2019	473,032	-	-	473,032
Unquoted equity securities in the United Kingdom	31 December 2019	-	-	2,986	2,986
		<u>473,032</u>	<u>274,845</u>	<u>2,986</u>	<u>750,863</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 the investment in unquoted equity securities is determined using the recent transaction price on disposal of the investment, based on the Share Purchase Agreement dated 9 January 2020.

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

13. Capital commitments

	<u>As at</u> <u>31 Mar</u> <u>2020</u> <u>RM'000</u>	<u>As at</u> <u>31 Dec</u> <u>2019</u> <u>RM'000</u>
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	45,619	46,811
Property and equipment	852	963
	<u>46,471</u>	<u>47,774</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.

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

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

Explanatory Notes Pursuant to MFRS 134 For the period ended 31 March 2020

15. Related party transactions (cont'd.)

	Current quarter	
	3 months ended	
	31 Mar 2020	31 Mar 2019
	RM'000	RM'000
Income/(expenses):		
AAB		
Gross written premium	5,004	6,611
Fee and commission expenses	(1,251)	(1,653)
Data management fee	(4)	(6)
AAX		
Gross written premium	1,059	1,639
Fee and commission expenses	(265)	(410)
PTAA		
Gross written premium	384	397
Fee and commission expenses	(96)	(99)
Telemarketing commission expenses	(1)	(2)
TAA		
Gross written premium	94	242
Fee and commission expenses	(24)	(61)
Telemarketing commission expenses	(3)	(4)
TGSB		
Royalty fee	(1,366)	(1,748)
Rental and utilities charges	(370)	(357)
SP&G		
Brokerage fee	(237)	(244)
TPCBLLC		
Facilitator fees	(1,630)	(1,592)

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 March 2020

17. Performance review

17.1 Current quarter ("1Q20") against corresponding quarter in prior year ("1Q19")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020	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
	Current quarter 3 months ended											
Operating revenue												
External	301	467	2,994	1,902	17,800	17,200	101,260	107,096	-	-	122,356	126,665
Inter-segment	-	8,143	-	-	3,562	6,909	2,091	1,564	(5,653)	(16,616)	-	-
	301	8,610	2,994	1,902	21,362	24,109	103,351	108,660	(5,653)	(16,616)	122,356	126,665
Segment (loss)/profit	(3,799)	4,233	621	2,927	8,000	12,836	1,155	12,670	(2,398)	(10,371)	3,577	22,295

Group/Consolidated

The Group's operating revenue decreased from RM126.7 million in 1Q19 to RM122.4 million in 1Q20. The decrease of RM4.3 million or 3.4% was mainly due to:

- Decrease of RM6.3 million in gross earned premiums mainly attributed by Motor RM2.5 million and Non-Motor RM3.8 million notably from Engineering, Workmen Compensation and Travel PA classes of general insurance business.
- Increase of RM2.0 million in investment income due mainly to higher dividend income from unit trusts funds of RM3.3 million, offset by lower share of investment income from MMIP of RM1.2 million and interest income from bank deposits of RM0.1 million.

The decrease of RM18.7 million or 84.0% in Group's profit before tax from RM22.3 million in 1Q19 to RM3.6 million in 1Q20 was mainly due to:

- Decrease in fair value gains on investments of RM9.7 million;
- Decrease of RM6.7 million in net earned premiums, attributable to the decrease of RM5.9 million mainly from Non-Motor notably Fire and Engineering classes; but offset by increase of RM2.4 mil in Motor in general insurance business; and decrease of RM3.2 million in Travel PA class of general reinsurance business as a result of COVID-19 effect; and
- Decrease in share of results of an associate of RM2.5 million; offset by
- Increase in realised gains on investments of RM0.2 million.

General reinsurance

Operating revenue of this segment decreased by RM2.7 million or 11.4% from RM24.1 million in 1Q19 to RM21.4 million in 1Q20, mainly due to:

- Decrease in gross earned premiums of RM3.2 million attributed mainly to both international and domestic markets; offset by
- Increase in investment income of RM0.5 million from dividend income from unit trust funds.

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 March 2020

17. Performance review (cont'd.)

17.1 Current quarter ("1Q20") against corresponding quarter in prior year ("1Q19") (cont'd.)

General reinsurance (cont'd.)

The decrease of RM4.8 million or 37.7% in this segment's profit from RM12.8 million in 1Q19 to RM8.0 million in 1Q20 was mainly due to:

- Decrease in net earned premiums of RM3.2 million attributed mainly to the Malaysian market as a result of lower quota share effect;
- Increase in management expenses of RM2.5 million mainly due to lower writeback of provision for impairment on receivables; and
- Increase in net claims incurred of RM1.3 million as a result of several losses in prior years; offset by
- Decrease in net commission expense of RM1.7 million in tandem with decrease in premiums; and
- Increase in investment income of RM0.5 million from dividend income from unit trust funds.

General insurance

Operating revenue of this segment decreased by RM5.3 million or 4.9% from RM108.7 million in 1Q19 to RM103.4 million in 1Q20 attributed to:

- Decrease of RM6.3 million in gross earned premiums mainly attributed by Motor RM2.5 million and Non-Motor RM3.8 million notably from Engineering, Workmen Compensation and Travel PA classes; offset by
- Increase of RM1.0 million in investment income due mainly to higher dividend income from unit trusts funds of RM2.3 million, offset by lower share of investment income from MMIP of RM1.2 million and interest income from bank deposits of RM0.1 million.

The decrease of RM11.5 million or 90.9% in this segment's profit from RM12.7 million in 1Q19 to RM1.2 million in 1Q20 was mainly due to:

- Decrease in fair value gains on investments and realised gains on investments of RM8.5 million;
- Decrease of RM3.5 million in net earned premiums, attributable to the decrease of RM5.9 million mainly from Non-Motor notably Fire and Engineering classes; but offset by increase of RM2.4 mil in Motor class; and
- Increase in net claims incurred of RM2.3 million due to lower release of claims reserve arising from alignment of IBNR reserving for prior year claims to actual claims development experience; offset by

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 March 2020

17. Performance review (cont'd.)

17.1 Current quarter ("1Q20") against corresponding quarter in prior year ("1Q19") (cont'd.)

General insurance (cont'd.)

- Increase of RM1.0 million in investment income due mainly to higher dividend income from unit trusts funds of RM2.3 million, offset by lower share of investment income from MMIP of RM1.2 million and interest income from bank deposits of RM0.1 million.
- Decrease in management expenses of RM1.2 million due mainly to decrease in provision for impairment loss on receivables by RM0.6 million and employee costs of RM0.6 million; and
- Increase in other income of RM0.6 million mainly due to recovery of debt from former employee.

17.2 Current quarter ("1Q20") against preceding quarter in prior year ("4Q19")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 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	301	300	2,994	2,946	17,800	20,377	101,260	102,209	-	-	122,356	125,832
Inter-segment	-	1,011	-	-	3,562	5,936	2,091	1,472	(5,653)	(8,419)	-	-
	301	1,311	2,994	2,946	21,362	26,313	103,351	103,681	(5,653)	(8,419)	122,356	125,832
Segment (loss)/profit	(3,799)	(2,901)	621	1,976	8,000	6,391	1,155	10,634	(2,398)	(3,815)	3,577	12,285

Group/Consolidated

The Group's operating revenue decreased from RM125.8 million in 4Q19 to RM122.6 million in 1Q20. The decrease of RM3.5 million or 2.8% was mainly due to:

- Decrease of RM2.0 million in gross earned premiums mainly in Non-Motor of RM5.3 million notably Travel PA and Offshore classes, but offset by Motor of RM3.3 million; and
- Decrease of RM1.5 million in investment income mainly from lower share of investment income from MMIP of RM1.3 million and dividend income from unit trust funds of RM0.2 million.

The decrease of RM8.7 million or 70.9% in Group's segment profit from RM12.3 million in 4Q19 to RM3.6 million in 1Q20 was mainly due to:

- Decrease in net earned premium of RM6.5 million mainly from Travel PA and Engineering classes of business;
- Increase in net claims incurred of RM9.9 million due mainly to lower release of claims reserve arising from alignment of IBNR reserving for prior year claims to actual claims development experience;
- Decrease in fair value gains on investments of RM3.8 million;

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 March 2020

17. Performance review (cont'd.)

17.2 Current quarter ("1Q20") against preceding quarter in prior year ("4Q19")

Group/Consolidated (cont'd.)

- Decrease in investment income of RM1.4 million; offset by
- Decrease in management expenses of RM10.2 million due mainly to decrease in provision for impairment loss on receivables by RM7.0 million and employee costs of RM2.9 million and stamp duty of RM0.3 million;
- Decrease in net commission expense of RM1.6 million in tandem with decrease in premiums; and
- Increase in other income of RM1.1 million mainly due to recovery of debt from former employee and foreign exchange gains.

General reinsurance

Operating revenue of this segment reported decrease of RM4.9 million or 18.8%, from RM26.3 million in 4Q19 to RM21.4 million in 1Q20, due mainly to:

- Lower gross earned premiums of RM5.1 million attributed to both international and domestic markets as a result of COVID-19 effect; offset by
- Slightly higher investment income of RM0.2 million from dividend income of unit trust funds.

The increase of RM1.6 million or 25.2% in this segment's profit from RM6.4 million in 4Q19 to RM8.0 million in 1Q20 was mainly due to:

- Decrease in management expenses of RM3.7 million due mainly to lower provision for impairment loss on receivables of RM3.2 million and marketing costs of RM0.6 million, but offset by increase in other professional fees of RM0.1 million;
- Decrease in net commission expense of RM2.7 million in tandem with decrease in premiums; and
- Increase in investment income and realised gains on investments of RM0.3 million; offset by
- Decrease in net earned premium of RM5.1 million attributed to both international and domestic markets as a result of COVID-19 effect.

General insurance

Operating revenue of this segment reported marginal decrease of RM0.3 million or 0.3%, from RM103.7 million in 4Q19 to RM103.4 million in 1Q20, due mainly to:

- Decrease of RM1.0 million in investment income mainly from lower share of investment income from MMIP of RM1.3 million, but offset by increase of dividend income from unit trust funds of RM0.3 million; offset by

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 March 2020

17. Performance review (cont'd.)

17.2 Current quarter ("1Q20") against preceding quarter in prior year ("4Q19") (cont'd.)

General insurance (cont'd.)

- Increase of RM0.7 million in gross earned premiums mainly from Motor of RM3.3 million, but offset by decrease in Non-Motor of RM2.6 million notably Travel PA and Offshore classes of business.

Profit of this segment decreased by RM9.5 million or 89.1% from RM10.6 million in 4Q19 to RM1.1 million in 1Q20, mainly due to:

- Increase in net claims incurred of RM9.5 million due to lower release of claims reserve arising from alignment of IBNR reserving for prior year claims to actual claims development experience.

18. Commentary on prospects

The remaining financial year will be challenging due largely to the Covid-19 pandemic that has adversely impacted the local and global economy. According to the International Air Transport Association (IATA)'s release on 14 April 2020, the air passenger volumes would contract by 48% in the full-year of 2020, with international traffic being impacted more than domestic travel attributed to travel restrictions and travellers' confidence. For the Malaysian general insurance industry, it is expected by PIAM to face downward pressure on premiums with subdued business activities, ongoing liberalisation and weaker consumer sentiments.

The Group would envisage its business to be impacted as it remains cautious about the future outlook under the evolving conditions and developments surrounding the pandemic. However, bolstering itself from the uncertainties, the Group journeys on with its initiatives and strategies in digital transformation and product innovation in order to diversify its business and market offerings. As domestic and international travel gradually recover into the second-half of the year, the Group will also be working with the airline partners to recapture the Travel insurance business.

The Group remains resilient with a healthy capital position and adequate liquidity to deliver and regain improvement in the financial results in the mid to longer term.

19. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial period ended 31 March 2020.

20. Status of corporate proposal

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

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 March 2020**

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, TIMB received a notice from the Malaysia Competition Commission ("MyCC") concerning a proposed preliminary decision ("Proposed Decision") which found that TIMB and 21 other general insurance companies in Malaysia who are members of the General Insurance Association of Malaysia ("PIAM") had purportedly infringed one of the prohibitions under the Competitions Act 2010 ("CA") in Malaysia, pursuant to its investigation outcome in respect of the agreement entered into between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") concerning trade discount rates and agreed labour rates for PIAM Approved Repairer's Scheme workshops. These rates were subsequently approved and adopted by PIAM members including TIMB.

The Proposed Decision suggests a financial penalty of RM3,608,530 on the part of TIMB and a consolidated amount of RM213,454,814 on all the 22 members of PIAM. PIAM members have been given the opportunity to make their written representations with MyCC to defend their positions which had been done by TIMB on 5 April 2017 and 29 January 2018.

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)(a) 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 to 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.

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 March 2020

21. Material litigation (cont'd.)

(b) Tax dispute with the Lembaga Hasil Dalam Negeri ("LHDN") (cont'd.)

On 11 June 2019, LHDN filed a Notice of Appeal against the decision of the High Court. The Court has fixed the matter for Hearing on 12 November 2020. The Company's appeal against LHDN's assessment before the LHDN Special Commissioner is now fixed for Mention on 19 June 2020.

The insurance subsidiary and the Group had not recognised any liability in respect of the disputed additional tax and penalties in the financial statements, pending further developments of the case at the High Court, as they believe that there are strong grounds to argue their case, based on legal advice received.

(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 ("Plaintiff") has commenced legal action to recover certain amounts owed by the Reinsurer ("Defendant") under the Reinsurance Contract through its appointed solicitors. As at 31 March 2020, the amount owed by the Reinsurer amounted to RM12,281,000 of which RM4,036,000 has been impaired as disclosed.

On 29 January 2019, a writ of summons 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 Defendant was directed by 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 has fixed for case management on 29 April 2020 and trial from 4 to 6 May 2020 and 8 to 11 June 2020. However, due to the Movement Control Order ("MCO"), the case management and the trial from 4 to 6 May 2020 has been vacated. The matter will be fixed for case management after the MCO is lifted and the new date will be informed in due course.

As at the date of the financial statements, there have been no further developments on this matter, and the Group will continue to pursue recovery of the whole balance owed by the Reinsurer to its insurance subsidiary.

22. Significant event

In December 2019, novel coronavirus (COVID-19) emerged and subsequently spread worldwide leading to it being declared as a global pandemic in March 2020 by the World Health Organisation (WHO). The pandemic resulted in a Movement Control Order (MCO) in Malaysia from 18 March to 3 May 2020 and Conditional MCO (CMCO) subsequently to 9 June 2020, resulting in various restrictions among others included prohibition on physical operations on non-essential services, domestic and overseas travel restrictions, and stay at home orders. In compliance with the MCO and CMCO, the Company only maintained essential customer support services for insurance policies and claims at the physical offices and branches nationwide, whilst the other operational processes were conducted on a remote or online basis, without major interruptions.

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 March 2020**

22. Significant event (cont'd.)

During 1Q20, almost half of the decline in the Group's underwriting profits from that of the corresponding last period was attributable to the drop in Travel insurance business, owing to international travel restrictions under the pandemic. There was also reduction in the fair values of investments resulting from the overall weaker investment climate and uncertainties. Coupled also with the lower shares of results from the associate and joint venture companies, the Group's net profit of the period declined significantly in 1Q20. Nevertheless, the Group had always maintained healthy levels of solvency and liquidity to sustain the operational and financial requirements whilst dealing with the impacts from the pandemic.

23. Disclosure of nature of outstanding derivatives

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

24. Rationale for entering into derivatives

The Group did not enter into any derivative transactions during the period ended 31 March 2020 or the previous year ended 31 December 2019.

25. Risks and policies for derivatives

The Group did not enter into any derivative transactions during the period ended 31 March 2020 or the previous year ended 31 December 2019.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 March 2020 and 31 December 2019.

27. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2019 was not qualified.

By order of the Board
Teh Peng Peng
Company Secretary