



**Tune Protect Group Berhad (948454-K)**

**Interim Financial Statements**

**For the Quarter and Six Months Ended 30 June 2020**

# Tune Protect Group Berhad (948454-K)

## Condensed consolidated statement of financial position As at 30 June 2020

	As at 30 Jun 2020 Unaudited RM'000	As at 31 Dec 2019 Audited RM'000
<b>Assets</b>		
Property and equipment	4,006	4,282
Intangible assets	5,238	4,402
Right-of-use assets	5,757	2,247
Investment in an associate	65,600	66,145
Investment in a joint venture company	3,721	3,263
Goodwill	24,165	24,165
Deferred tax assets	955	2,178
Investments	819,337	786,207
Reinsurance assets	571,243	483,927
Insurance receivables	173,973	130,654
Other receivables	87,380	87,724
Cash and bank balances	9,850	11,704
<b>Total assets</b>	<b>1,771,225</b>	<b>1,606,898</b>
<b>Equity</b>		
Share capital	248,519	248,519
Employee share option reserves	3,126	3,477
Foreign currency translation reserve	12,140	11,209
Other comprehensive income ("OCI") reserve	499	499
Other reserve	55	55
Retained earnings	310,335	295,238
Equity attributable to owners of the parent	574,674	558,997
Non-controlling interests	145,479	139,038
<b>Total equity</b>	<b>720,153</b>	<b>698,035</b>
<b>Liabilities</b>		
Insurance contract liabilities	865,981	781,305
Deferred tax liabilities	495	572
Insurance payables	141,043	80,559
Retirement benefits	293	392
Other payables	37,394	43,720
Lease liabilities	5,866	2,315
<b>Total liabilities</b>	<b>1,051,072</b>	<b>908,863</b>
<b>Total equity and liabilities</b>	<b>1,771,225</b>	<b>1,606,898</b>
<b>Net assets per ordinary share attributable to owners of the parent (RM)</b>	<b>0.76</b>	<b>0.74</b>

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 (948454-K)

### Condensed consolidated statement of comprehensive income For the period ended 30 June 2020

	Note	Current quarter		Cumulative quarters	
		3 months ended		6 months ended	
		30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
		RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>		<b>100,942</b>	<b>124,461</b>	<b>223,298</b>	<b>251,126</b>
Gross earned premiums		93,059	115,070	208,101	236,396
Premiums ceded to reinsurers		(57,610)	(51,907)	(114,280)	(108,173)
<b>Net earned premiums</b>		<b>35,449</b>	<b>63,163</b>	<b>93,821</b>	<b>128,223</b>
Investment income	6	7,883	9,391	15,197	14,730
Realised gains and losses		1,850	2,494	2,539	2,965
Fair value gains and losses		11,149	2,308	4,730	5,663
Fees and commission income		9,566	7,113	19,858	18,849
Other operating income		56	658	2,409	1,103
<b>Other revenue</b>		<b>30,504</b>	<b>21,964</b>	<b>44,733</b>	<b>43,310</b>
Gross claims paid		(35,882)	(75,907)	(73,718)	(143,189)
Claims ceded to reinsurers		21,648	52,729	43,470	90,234
Gross change to contract liabilities		(65,596)	(10,586)	(82,530)	988
Change in contract liabilities ceded to reinsurers		63,112	8,595	73,191	7,546
<b>Net claims</b>		<b>(16,718)</b>	<b>(25,169)</b>	<b>(39,587)</b>	<b>(44,421)</b>
Fee and commission expenses		(7,648)	(17,732)	(25,898)	(39,264)
Management expenses		(22,720)	(32,804)	(47,518)	(57,112)
Other operating expenses		987	(106)	(210)	(74)
Finance costs		(89)	(51)	(143)	(109)
<b>Other expenses</b>		<b>(29,470)</b>	<b>(50,693)</b>	<b>(73,769)</b>	<b>(96,559)</b>
Share of results of an associate		625	1,077	(1,325)	1,638
Share of results of a joint venture company		213	405	307	851
<b>Profit before taxation</b>	7	<b>20,603</b>	<b>10,747</b>	<b>24,180</b>	<b>33,042</b>
Taxation	8	(1,837)	841	(2,642)	(1,304)
<b>Net profit for the period</b>		<b>18,766</b>	<b>11,588</b>	<b>21,538</b>	<b>31,738</b>

## Tune Protect Group Berhad (948454-K)

### Condensed consolidated statement of comprehensive income (cont'd.) For the period ended 30 June 2020

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Note	RM'000	RM'000	RM'000	RM'000
<b>Other comprehensive income/(loss):</b>				
Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company	2,526	2,217	931	2,800
Other comprehensive income/(loss) for the period	<b>2,526</b>	<b>2,217</b>	<b>931</b>	<b>2,800</b>
<b>Total comprehensive income for the period</b>	<b>21,292</b>	<b>13,805</b>	<b>22,469</b>	<b>34,538</b>
<b>Profit attributable to:</b>				
Owners of the parent	12,597	10,708	15,097	29,050
Non-controlling interests	6,169	880	6,441	2,688
	<b>18,766</b>	<b>11,588</b>	<b>21,538</b>	<b>31,738</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	15,123	12,925	16,028	31,850
Non-controlling interests	6,169	880	6,441	2,688
	<b>21,292</b>	<b>13,805</b>	<b>22,469</b>	<b>34,538</b>
<b>Basic and diluted earnings per share attributable to owners of the parent (sen per share)</b>				
9	<b>1.68</b>	<b>1.42</b>	<b>2.01</b>	<b>3.86</b>

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 (948454-K)

Condensed consolidated statement of changes in equity  
For the period ended 30 June 2020

	Attributable to the owners of the parent									Total equity RM'000
	Non-distributable					Distributable				
	Share capital RM'000	Available-for-sale reserves 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	Non-controlling interests RM'000	
<b>At 1 January 2020</b>	248,519	-	499	55	3,477	11,209	295,238	558,997	139,038	698,035
Net profit for the period	-	-	-	-	-	-	15,097	15,097	6,441	21,538
Other comprehensive profit for the period	-	-	-	-	-	931	-	931	-	931
Total comprehensive income for the period	-	-	-	-	-	931	15,097	16,028	6,441	22,469
Grant of equity-settled share options to employees	-	-	-	-	(351)	-	-	(351)	-	(351)
<b>At 30 June 2020</b>	<b>248,519</b>	<b>-</b>	<b>499</b>	<b>55</b>	<b>3,126</b>	<b>12,140</b>	<b>310,335</b>	<b>574,674</b>	<b>145,479</b>	<b>720,153</b>
<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	-	-	-	-	-	-	29,050	29,050	2,688	31,738
Other comprehensive loss for the period	-	-	-	-	-	2,800	-	2,800	-	2,800
Total comprehensive (loss)/income for the period	-	-	-	-	-	2,800	29,050	31,850	2,688	34,538
Grant of equity-settled share options to employees	-	-	-	-	(348)	-	-	(348)	-	(348)
Dividends on ordinary shares	-	-	-	-	-	-	(22,553)	(22,553)	(1,673)	(24,226)
<b>At 30 June 2019</b>	<b>248,519</b>	<b>-</b>	<b>155</b>	<b>124</b>	<b>3,658</b>	<b>9,957</b>	<b>273,611</b>	<b>536,024</b>	<b>48,629</b>	<b>584,653</b>

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 (948454-K)

### Condensed consolidated statement of cash flows For the period ended 30 June 2020

	Cumulative quarters 6 months ended	
	30 Jun 2020	30 Jun 2019
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	24,180	33,042
Adjustments for:		
Non-cash items	3,780	(898)
Investment related income	(21,448)	(25,829)
Operating profit before working capital changes	6,512	6,315
Net change in operating assets	(132,564)	(30,216)
Net change in operating liabilities	139,403	(2,244)
Cash generated from/(used in) operating activities	13,351	(26,146)
Net interest received	1,375	3,022
Net dividend received	8,302	9,136
Rental received	-	15
Retirement benefits	(104)	(66)
Income tax paid	(1,039)	(2,628)
Net cash generated from/(used in) operating activities	21,884	(16,667)
<b>Cash flows from investing activities</b>		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(352,535)	(35,260)
Proceeds from disposal of FVTPL financial assets	335,038	111,411
Increase in loans and receivables	(280)	(29,767)
Proceeds from disposal of property and equipment	2	17
Purchase of property and equipment	(513)	(1,036)
Purchase of intangible assets	(1,507)	(563)
Net cash (used in)/generated from investing activities	(19,795)	44,803
<b>Cash flows from financing activity</b>		
Repayment of lease liabilities	(1,149)	(1,205)
Dividends paid to equity holders	-	(22,553)
Dividends paid to non-controlling interests	-	(1,673)
Net cash used in financing activities	(1,149)	(25,431)
<b>Net increase in cash and cash equivalents</b>	940	2,706
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(15)	(40)
<b>Cash and cash equivalents at beginning of period</b>	39,414	26,304
<b>Cash and cash equivalents at end of period</b>	40,340	28,970
<b>Cash and cash equivalents comprise:</b>		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	30,490	23,415
Cash and bank balances	9,850	5,555
	40,340	28,970

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 (948454-K)

## Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2020

### 1. Basis of preparation

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

# **Tune Protect Group Berhad (948454-K)**

## **Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2020**

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

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

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.

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 30 June 2020.



## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 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	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 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
<b>Operating revenue</b>												
External	401	924	5,883	3,910	21,877	35,783	195,136	210,509	-	-	223,298	251,126
Inter-segment	25,427	20,085	-	-	4,140	13,144	4,140	2,488	(33,707)	(35,717)	-	-
	<u>25,827<sup>1</sup></u>	<u>21,009</u>	<u>5,883</u>	<u>3,910</u>	<u>26,017<sup>2</sup></u>	<u>48,927</u>	<u>199,277<sup>3</sup></u>	<u>212,997</u>	<u>(33,707)</u>	<u>(35,717)</u>	<u>223,298<sup>4</sup></u>	<u>251,126</u>
<b>Segment profit</b>	<u>17,684</u>	<u>11,985</u>	<u>10,646</u>	<u>6,895</u>	<u>9,640</u>	<u>22,379</u>	<u>19,968</u>	<u>16,856</u>	<u>(33,757)</u>	<u>(25,073)</u>	<u>24,180</u>	<u>33,042</u>
<b>Segment assets</b>	<u>299,766</u>	<u>284,721</u>	<u>256,510</u>	<u>197,007</u>	<u>160,656</u>	<u>164,188</u>	<u>1,360,992</u>	<u>1,209,573</u>	<u>(306,699)</u>	<u>(336,338)</u>	<u>1,771,225</u>	<u>1,519,152</u>
<b>Segment liabilities</b>	<u>6,091</u>	<u>3,090</u>	<u>76</u>	<u>61</u>	<u>17,320</u>	<u>20,533</u>	<u>1,037,357</u>	<u>921,391</u>	<u>(9,772)</u>	<u>(10,278)</u>	<u>1,051,072</u>	<u>934,797</u>

<sup>1</sup> includes investment income of RM25.827 million

<sup>2</sup> includes investment income of RM2.310 million

<sup>3</sup> includes investment income of RM10.743 million

<sup>4</sup> includes investment income of RM15.197 million

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2020

#### 6. Investment income

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
Rental income from property	-	4	-	15
Interest income:				
- financial assets at amortised cost	231	170	496	336
- financial assets at FVTPL	3,006	2,322	6,115	4,508
- bank balances	21	9	30	24
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	864	1,079	283	1,723
Dividend income:				
- financial assets at FVTPL	3,762	5,808	8,272	8,124
	<u>7,883</u>	<u>9,391</u>	<u>15,197</u>	<u>14,730</u>

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	370	418	789	817
Depreciation of right-of-use assets	539	563	1,048	1,142
Amortisation of intangible assets	332	488	670	856
Impairment/(reversal) of impairment losses on insurance receivables	2,947	1,049	2,082	(3,162)
Reversal of impairment losses on reinsurance assets	-	(3)	-	(198)
Interest expense on lease liabilities	89	51	143	109
Write-off of property and equipment	-	4	-	12

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2020

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Realised gains on disposal of:				
- property and equipment	-	(13)	(1)	(17)
- financial assets at FVTPL	(1,850)	(2,481)	(2,538)	(2,948)
Net realised gains	(1,850)	(2,494)	(2,539)	(2,965)
Fair value (gains)/losses on financial assets carried at FVTPL	(11,149)	(2,308)	(4,730)	(5,663)
(Gain)/loss on foreign exchange - realised	(398)	94	(540)	(160)
(Gain)/loss on foreign exchange - unrealised	(407)	(361)	(620)	(195)

#### 8. Taxation

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Income tax	634	741	1,458	864
Deferred tax	1,203	(1,583)	1,184	440
	1,837	(841)	2,642	1,304
Effective tax rate	9%	(8%)	11%	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 period.

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 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		Cumulative quarters 6 months ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to owners of the parent (RM'000)	12,597	10,708	15,097	29,050
Number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	1.68	1.42	2.01	3.86

#### 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 30 June 2020.

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 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	Observable inputs (Level 2) RM'000	Unobservable inputs (Level 3) RM'000	Total RM'000
<b>Assets measured at fair value:</b>					
<b>30 June 2020</b>					
<b>Financial assets at FVTPL:</b>					
Unquoted debt securities in Malaysia	30 June 2020	-	252,443	-	252,443
Quoted unit trust funds in Malaysia	30 June 2020	516,175	-	-	516,175
		<u>516,175</u>	<u>252,443</u>	<u>-</u>	<u>768,618</u>

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 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
<b>Assets measured at fair value: (cont'd.)</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	473,032	-	-	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 (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2020

#### 13. Capital commitments

	<u>As at</u> <u>30 June</u> <u>2020</u> <u>RM'000</u>	<u>As at</u> <u>31 Dec</u> <u>2019</u> <u>RM'000</u>
<b>Capital expenditure:</b>		
Approved but not contracted for:		
Intangible assets	44,530	46,811
Property and equipment	563	963
	<u>45,093</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.

<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 (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 June 2020

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

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
<b>Income/(expenses):</b>				
<b>AAB</b>				
Gross written premium	1,039	10,862	6,043	17,473
Fee and commission expenses	(260)	(2,715)	(1,511)	(4,368)
Data management fee	(3)	(6)	(8)	(12)
<b>AAX</b>				
Gross written premium	228	2,376	1,287	4,015
Fee and commission expenses	(57)	(594)	(322)	(1,004)
<b>PTAA</b>				
Gross written premium	(71)	624	312	1,021
Fee and commission expenses	96	(156)	(0)	(255)
Telemarketing commission expenses	(0)	(1)	(1)	(3)
<b>TAA</b>				
Gross written premium	(12)	407	82	649
Fee and commission expenses	23	(101)	(0)	(162)
Telemarketing commission expenses	(3)	(3)	(5)	(7)
<b>TGSB</b>				
Royalty fee	(668)	(1,170)	(2,034)	(2,918)
Rental and utilities charges	(197)	(366)	(567)	(723)
<b>SP&amp;G</b>				
Brokerage fee	(274)	(437)	(511)	(681)
<b>Rokki</b>				
Advertisement expenses	-	(450)	-	(450)
<b>TPCBLLC</b>				
Facilitator fees	253	(1,620)	(1,377)	(3,212)

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 (948454-K)

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

For the period ended 30 June 2020

#### 17. Performance review

##### 17.1 Current quarter ("2Q20") against corresponding quarter in prior year ("2Q19")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 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
	<b>Current quarter 3 months ended</b>											
<b>Operating revenue</b>												
External	99	457	2,890	2,008	4,077	18,583	93,876	103,413	-	-	100,942	124,461
Inter-segment	25,427	11,942	-	-	578	6,235	2,049	924	(28,054)	(19,101)	-	-
	25,526	12,399	2,890	2,008	4,655	24,818	95,926	104,337	(28,054)	(19,101)	100,942	124,461
<b>Segment profit</b>	21,483	7,752	10,025	3,968	1,640	9,543	18,813	4,186	(31,358)	(14,702)	20,603	10,747

#### Group/Consolidated

The Group's operating revenue decreased from RM124.5 million in 2Q19 to RM101.0 million in 2Q20. The decrease of RM23.5 million or 19% was mainly due to:

- Decrease of RM22.0 million in gross earned premiums mainly attributed to Travel PA of RM26.3 million; offset by increase in Motor class of RM1.5 million and Non-Motor class of business of RM2.8 million notably Marine Hull and Cargo; and
- Decrease of RM1.5 million in investment income mainly due to lower dividend income received from unit trust funds and share of investment income from MMIP.

The increase of RM9.9 million or 92% in Group's profit before tax from RM10.7 million in 2Q19 to RM20.6 million in 2Q20 was mainly due to:

- Decrease in net commission expenses of RM12.5 million in tandem with decrease in premiums coupled with higher overriding commission earned from broking business;
- Decrease in management expenses of RM10.1 million due to decrease in advertising and marketing expenses of RM5.3 million, employee costs of RM2.1 million, facilitator fee of RM1.9 million and other general and admin expenses of RM2.5 million; but offset by increase in provision for impairment on receivables of RM1.7 million;
- Decrease in net claims incurred of RM8.4 million due to lower large claims as compared to last year and also favourable claims experience during the period; and
- Increase in fair value gains of investments of RM8.8 million as a result of market rebounded following a heavy sell down at the beginning of the quarter; offset by
- Decrease in net earned premiums of RM27.7 million primarily owing to the decrease in Travel PA class of business as a result of Covid-19 effect and extension of Movement Control Order ("MCO") effect;
- Decrease of RM1.5 million in investment income mainly due to lower dividend income received from unit trust funds and share of investment income from MMIP; and
- Decrease in share of results of an associate and joint-venture companies of RM0.7 million.

## **Tune Protect Group Berhad (948454-K)**

**Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B,  
Part A  
For the period ended 30 June 2020**

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

#### **17.1 Current quarter ("2Q20") against corresponding quarter in prior year ("2Q19") (cont'd.)**

##### **General reinsurance**

Operating revenue of this segment decreased by RM20.2 million or 81% from RM24.8 million in 2Q19 to RM4.6 million in 2Q20, mainly due to:

- Decrease in gross earned premiums of RM20.4 million attributed mainly to both international and domestic markets; offset by
- Increase in investment income of RM0.2 million from dividend income received from unit trust funds.

The decrease of RM7.9 million or 83% in this segment's profit from RM9.5 million in 2Q19 to RM1.6 million in 2Q20 was mainly due to:

- Decrease in net earned premiums of RM20.2 million mainly attributed to both international and domestic markets as a result of COVID-19 effect; offset by
- Decrease in net commission expense of RM7.7 million in tandem with decrease in premiums;
- Decrease in net claims incurred of RM1.3 million as a result better claims experience; and
- Decrease in management expenses of RM3.0 million due to decrease in advertising and marketing expenses of RM2.3 million, facilitator fee of RM1.9 million, royalty fee of RM0.5 million and other general and admin expenses of RM1.0 million; but offset by increase in provision for impairment on receivables of RM2.7 million.

##### **General insurance**

Operating revenue of this segment decreased by RM8.4 million or 8% from RM104.3 million in 2Q19 to RM95.9 million in 2Q20 attributed to:

- Decrease of RM7.3 million in gross earned premiums mainly attributed to Travel PA of RM11.6 million; offset by increase in Motor class of RM1.5 million and Non-Motor class of business of RM2.8 million notably Marine Hull and Cargo.
- Decrease of RM1.1 million in investment income mainly due to lower dividend income received from unit trust funds and share of investment income from MMIP.

The increase of RM14.6 million in this segment's profit from RM4.2 million in 2Q19 to RM18.8 million in 2Q20 was mainly due to:

- Decrease in net claims incurred of RM7.1 million due to lower large claims as compared to last year and also favourable prior years claims development;
- Decrease in net commission expenses of RM4.8 million in tandem with decrease in premiums coupled with higher overriding commission earned from broking business;

## Tune Protect Group Berhad (948454-K)

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

For the period ended 30 June 2020

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

##### 17.1 Current quarter ("2Q20") against corresponding quarter in prior year ("2Q19") (cont'd.)

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

- Decrease in management expenses of RM6.1 million due to decrease in advertising and marketing expenses of RM2.6 million, employee costs of RM1.5 million, other general and admin expenses of RM1.0 million and provision for impairment on receivables of RM1.0 million;
- Increase in fair value gains of investments of RM4.8 million as a result of market rebounded following a heavy sell down at the beginning of the quarter; offset by
- Decrease in net earned premiums of RM7.5 million primarily owing to the decrease in Travel PA class of business of RM5.7 million as a result of Covid-19 effect and extension of Movement Control Order ("MCO") effect and Non-Motor class of business notably Fire, Engineering and Medical of RM3.1 million; slightly offset by Motor class of business of RM1.3 million; and
- Decrease of RM1.1 million in investment income mainly due to lower dividend income received from unit trust funds and share of investment income from MMIP.

##### 17.2 Current year to date ("YTD 2020") against corresponding year to date ("YTD 2019")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Cumulative quarters 6 months ended											
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 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
<b>Operating revenue</b>												
External	401	924	5,883	3,910	21,877	35,783	195,136	210,509	-	-	223,298	251,126
Inter-segment	25,427	20,085	-	-	4,140	13,144	4,140	2,488	(33,707)	(35,717)	-	-
	<u>25,827</u>	<u>21,009</u>	<u>5,883</u>	<u>3,910</u>	<u>26,017</u>	<u>48,927</u>	<u>199,277</u>	<u>212,997</u>	<u>(33,707)</u>	<u>(35,717)</u>	<u>223,298</u>	<u>251,126</u>
<b>Segment profit</b>	<u>17,684</u>	<u>11,985</u>	<u>10,646</u>	<u>6,895</u>	<u>9,640</u>	<u>22,379</u>	<u>19,968</u>	<u>16,856</u>	<u>(33,757)</u>	<u>(25,073)</u>	<u>24,180</u>	<u>33,042</u>

###### Group/Consolidated

The Group's operating revenue decreased by RM27.8 million or 11% from RM251.1 million in YTD 2019 to RM223.3 million in YTD 2020, mainly due to:

- Decrease of RM28.3 million in gross earned premiums mainly attributed to Travel PA of RM30.7 million, Motor class of RM1.0 million; offset by Non-Motor class of business of RM3.4 million notably Marine Hull and Cargo; offset by
- Increase of RM0.5 million in investment income mainly due to higher dividend income received from unit trust funds of RM2.1 million, but offset by lower share of investment income from MMIP and interest income totalling RM1.6 million.

## **Tune Protect Group Berhad (948454-K)**

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

**For the period ended 30 June 2020**

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

##### **17.2 Current year to date ("YTD 2020") against corresponding year to date ("YTD 2019") (cont'd.)**

###### **Group/Consolidated (cont'd.)**

The Group's segment profit decreased from RM33.1 million in YTD 2019 to RM24.2 million in YTD 2020. The decrease of RM8.9 million or 27% was due mainly to:

- Decrease in net earned premiums of RM34.4 million, primarily attributable to the decrease in Travel PA class of business of RM29.8 million as a result of Covid-19 effect and Non-Motor notably Fire and Engineering classes of business of RM7.6 million; but offset by Motor class of business of RM3.6 million; and
- Decrease in share of results of an associate and joint-venture companies of RM3.5 million; offset by
- Decrease in net commission expense of RM14.4 million in tandem with decrease in premiums;
- Decrease in management expenses of RM9.6 million due to decrease in advertising and marketing expenses of RM6.4 million, employee costs of RM4.0 million, facilitators fee of RM1.8 million and other general and admin expenses of RM2.6 million; but offset by increase in provision for impairment on receivables of RM5.2 million; and
- Decrease in net claims incurred of RM4.8 million due to favourable claims experience during the year.

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

Operating revenue of this segment decreased by RM22.9 million or 47% from RM48.9 million in YTD 2019 to RM26.0 million in YTD 2020, mainly due to:

- Decrease in gross earned premiums of RM23.6 million attributed mainly to both international and domestic markets; offset by
- Increase in investment income of RM0.7 million from dividend income from unit trust funds.

The decrease of RM12.7 million or 57% in this segment's profit from RM22.4 million in YTD 2019 to RM9.6 million in YTD 2020 was mainly due:

- Decrease in net earned premiums of RM23.5 million mainly attributed to both international and domestic markets as a result of COVID-19 effect; offset by
- Decrease in net commission expense of RM9.5 million in tandem with decrease in premiums; and
- Increase in investment income of RM0.7 million from dividend income from unit trust funds and realised gains on investments of RM0.4 million.

## Tune Protect Group Berhad (948454-K)

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

For the period ended 30 June 2020

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

#### 17.2 Current year to date ("YTD 2020") against corresponding year to date ("YTD 2019") (cont'd.)

##### General insurance

Operating revenue of this segment decreased by RM13.7 million or 6% from RM213.0 million in YTD 2019 to RM199.3 million in YTD 2020, mainly due to:

- Decrease of RM13.7 million in gross earned premiums mainly attributed to Travel PA of RM16.1 million, Motor class of RM1.0 million; offset by Non-Motor class of business of RM3.4 million notably Marine Hull and Cargo.

Profit of this segment increased by RM3.1 million or 18% from RM16.9 million in YTD 2019 to RM20.0 million in YTD 2020, due mainly to:

- Decrease in net commission expense of RM4.9 million in tandem with decrease in premiums;
- Decrease in net claims incurred of RM4.8 million due to favourable claims experience during the year;
- Decrease in management expenses of RM7.3 million due to decrease in advertising and marketing expenses of RM2.9 million, employee costs of RM2.1 million, other general and admin expenses of RM0.7 million and provision for impairment on receivables of RM1.6 million; and
- Increase in other operating income of RM0.8 million mainly management fee income; offset by
- Decrease in net earned premiums of RM10.9 million, mainly from Travel PA of RM6.3 million as a result of Covid-19 effect and Non-Motor Motor of RM8.3 million notably Fire, Engineering, Medical and Workmen Compensation classes of business due to lower retention; but offset by increase in Motor class of business of RM3.7 million; and
- Decrease in fair value gains on investments of RM3.9 million.

#### 17.3 Current quarter ("2Q20") against preceding quarter in current year ("1Q20")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 Jun 2020	31 Mar 2020	30 Jun 2020	31 Mar 2020	30 Jun 2020	31 Mar 2020	30 Jun 2020	31 Mar 2020	30 Jun 2020	31 Mar 2020	30 Jun 2020	31 Mar 2020
	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	99	301	2,890	2,994	4,077	17,800	93,876	101,260	-	-	100,942	122,356
Inter-segment	25,427	-	-	-	578	3,562	2,049	2,091	(28,054)	(5,653)	-	-
	25,526	301	2,890	2,994	4,655	21,362	95,926	103,351	(28,054)	(5,653)	100,942	122,356
<b>Segment profit</b>	21,483	(3,799)	10,025	621	1,640	8,000	18,813	1,155	(31,358)	(2,398)	20,603	3,577

## Tune Protect Group Berhad (948454-K)

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

For the period ended 30 June 2020

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

##### 17.3 Current quarter ("2Q20") against preceding quarter in current year ("1Q20") (cont'd.)

###### Group/Consolidated

The Group's operating revenue decreased from RM122.4 million in 1Q20 to RM101.0 million in 2Q19. The decrease of RM21.4 million or 18% was mainly due to:

- Decrease of RM22.0 million in gross earned premiums mainly attributed to Travel PA of RM19.0 million, Motor class of RM5.5 million; offset by Non-Motor class of business of RM2.5 million notably Marine Hull, Liabilities and Offshore line of business; offset by
- Increase of RM0.6 million in investment income mainly increase in share of investment income from MMIP of RM1.4 million offset by dividend income received from unit trust funds of RM0.8 million.

The increase of RM17.0 million in Group's segment profit from RM3.6 million in 1Q20 to RM20.6 million in 2Q20 was mainly due to:

- Increase in fair value gains on investments of RM17.6 million as a result of market rebounded since the last quarter and realised gains on liquidation of investments of RM1.2 million;
- Decrease in net commission expenses of RM9.9 million in tandem with decrease in premiums coupled with higher overriding commission earned from broking business;
- Decrease in net claims incurred of RM6.2 million due to favourable prior years claims development;
- Decrease in management expenses of RM2.1 million due to decrease in advertising and marketing expenses of RM1.5 million, facilitator fee of RM1.9 million, royalty fee of RM0.7 million, employee costs of RM0.4 million, other general and admin expenses of RM1.4 million; offset by increase in provision for impairment on receivables of RM3.8 million;
- Increase in realised gains from investments of RM1.2 million; and
- Increase in share of results of an associate and joint-venture companies of RM2.7 million; offset by
- Decrease in net earned premiums of RM22.9 million primarily owing to the decrease in Travel PA class of business of RM20.1 million as a result of Covid-19 effect and extension of Movement Control Order ("MCO") internationally and domestically and Non-Motor class of business notably Medical of RM1.9 million.

###### General reinsurance

Operating revenue of this segment reported decrease of RM16.7 million or 78%, from RM21.4 million in 1Q20 to RM4.7 million in 2Q20, mainly due to:

- Decrease in gross earned premiums of RM16.6 million attributed mainly due to both international and domestic markets; and

## Tune Protect Group Berhad (948454-K)

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

For the period ended 30 June 2020

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

##### 17.3 Current quarter ("2Q20") against preceding quarter in current year ("1Q20") (cont'd.)

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

- Decrease in investment income of RM0.1 million from dividend income from unit trust funds.

The decrease of RM6.4 million or 79% in this segment's profit from RM8.0 million in 1Q20 to RM1.6 million in 2Q20 was mainly due to:

- Decrease in net earned premiums of RM16.5 million mainly attributed to both international and domestic markets as a result of COVID-19 effect; offset by
- Decrease in net commission expense of RM5.9 million in tandem with decrease in premiums;
- Decrease in net claims incurred of RM2.6 million due to better claims experience; and
- Decrease in management expenses of RM1.2 million due to decrease in advertising and marketing expenses of RM1.0 million, facilitators fee of RM1.9 million, royalty fee of RM0.5 million and other general and admin expenses of RM0.4 million; but offset by increase in provision for impairment on receivables of RM2.6 million.

###### General insurance

There was a decrease of RM7.4 million or 7% in operating revenue of this segment from RM103.3 million in 1Q20 to RM95.9 million in 2Q20, due mainly to:

- Decrease of RM8.4 million in gross earned premiums mainly attributed to Travel PA of RM5.4 million, Motor class of RM5.5 million; offset by Non-Motor class of business of RM2.5 million notably Marine Hull, Liabilities and Offshore line of business; offset by
- Increase of RM1.0 million in investment income mainly increase in share of investment income from MMIP of RM1.4 million offset by dividend income received from unit trust funds of RM0.4 million.

Profit of this segment increased by RM17.7 million from RM1.1 million in 1Q20 to RM18.8 million in 2Q19, mainly due to:

- Increase in fair value gains on investments of RM14.6 million as a result of market rebounded since the last quarter and realised gains on liquidation of investments of RM0.5 million;
- Decrease in net commission expenses of RM5.5 million in tandem with decrease in premiums coupled with higher overriding commission earned from broking business; and
- Decrease in net claims incurred of RM3.5 million due to favourable prior years claims development; offset by
- Decrease in net earned premiums of RM6.4 million primarily owing to the decrease in Travel PA class of business of RM3.6 million as a result of Covid-19 effect and extension of Movement Control Order ("MCO") and Non-Motor class of business notably Fire and Medical of RM4.3million; slightly offset by Engineering class of business of RM2.1 million.

## **Tune Protect Group Berhad (948454-K)**

### **Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A For the period ended 30 June 2020**

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

The Group experienced the weakest Travel business performance in 2Q2020 with most of our airline partners grounding their fleet end March or April 2020. Total policies sold declined 98% in April 2020 compared to April 2019. Nevertheless a quick recovery was also observed in total policies sold in May and June 2020, with the opening up of domestic travel in selected markets. Total policies sold achieved month on month increase of 47% in May 2020 and an additional 149% in June 2020.

In the tourism and travel sector, domestic travel is gaining traction whilst opening of international borders remain uncertain in some countries. Should the international borders open in second half of 2020, we expect moderate recovery of travel insurance demand in line with our experience in 2Q2020, when domestic travel was allowed in Malaysia in June 2020. In response to the pandemic, we observed some countries (such as United Arab Emirates and Oman) responded quickly and taken the lead to make Travel and Health Insurance mandatory for all inbound passengers. Similar trend was also observed in selected airlines, such as Emirates and airports.

Though the Group experienced an overall unfavourable impact in its Travel business in 2Q2020, with the potential opportunities above, the Group is cautiously optimistic that travel business demand may achieve moderate recovery in the second half of 2020.

On non-travel segments, we have not observed significant adverse impact from the pandemic in the current quarter. Instead the Group have experienced some improvement in claim ratio in the quarter. Nevertheless the Group remain cautious of the future outlook under the evolving conditions and developments surrounding the pandemic.

The Group is confident that with the healthy capital position, it remains resilient to weather through the potential negative implications from the pandemic over the medium 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 30 June 2020.

#### **20. Corporate proposal**

On 25 June 2020, the Board of Directors of the Company announced that the Company is seeking approval from its shareholders to purchase up to ten percent (10%) of the total number of issued share capital of the Company at the forthcoming Annual General Meeting scheduled on 4 August 2020.



## **Tune Protect Group Berhad (948454-K)**

**Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B,  
Part A  
For the period ended 30 June 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,

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.

## **Tune Protect Group Berhad (948454-K)**

**Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B,  
Part A  
For the period ended 30 June 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 August 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 30 June 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 has reverted to the Plaintiff's lawyers with some findings from the audit of the files carried out. The Plaintiff and its lawyer are responding to these findings.

The Court has fixed the matter for trial on 27-28 October 2021 and 1-3 November 2021. The matter is now fixed for case management on 7 September 2020.

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. Disclosure of nature of outstanding derivatives**

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

### **23. Rationale for entering into derivatives**

The Group did not enter into any derivative transactions during the period ended 30 June 2020 or the previous year ended 31 December 2019.

### **24. Risks and policies for derivatives**

The Group did not enter into any derivative transactions during the period ended 30 June 2020 or the previous year ended 31 December 2019.

## **Tune Protect Group Berhad (948454-K)**

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

**For the period ended 30 June 2020**

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2020 and 31 December 2019.

### **26. Auditors' report on preceding annual financial statements**

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