



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

**Interim Financial Statements**

**For the Quarter and Nine Months Ended 30 September 2020**

# Tune Protect Group Berhad (948454-K)

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

	As at 30 Sept 2020 Unaudited RM'000	As at 31 Dec 2019 Audited RM'000
<b>Assets</b>		
Property and equipment	4,012	4,282
Intangible assets	6,014	4,402
Right-of-use assets	5,212	2,247
Investment in an associate	60,662	66,145
Investment in a joint venture company	3,664	3,263
Goodwill	24,165	24,165
Deferred tax assets	1,166	2,178
Investments	827,885	786,207
Reinsurance assets	670,671	483,927
Insurance receivables	114,359	130,654
Other receivables	80,992	87,724
Cash and bank balances	4,834	11,704
<b>Total assets</b>	<b>1,803,636</b>	<b>1,606,898</b>
<b>Equity</b>		
Share capital	248,519	248,519
Employee share option reserves	2,999	3,477
Foreign currency translation reserve	8,472	11,209
Other comprehensive income ("OCI") reserve	499	499
Other reserve	55	55
Retained earnings	312,613	295,238
Equity attributable to owners of the parent	573,157	558,997
Non-controlling interests	145,411	139,038
<b>Total equity</b>	<b>718,568</b>	<b>698,035</b>
<b>Liabilities</b>		
Insurance contract liabilities	961,346	781,305
Deferred tax liabilities	515	572
Insurance payables	78,915	80,559
Retirement benefits	293	392
Other payables	38,661	43,720
Lease liabilities	5,338	2,315
<b>Total liabilities</b>	<b>1,085,068</b>	<b>908,863</b>
<b>Total equity and liabilities</b>	<b>1,803,636</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 September 2020

	Note	Current quarter		Cumulative quarters	
		3 months ended		9 months ended	
		30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
		RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>		<b>110,003</b>	<b>123,843</b>	<b>333,301</b>	<b>374,969</b>
Gross earned premiums		100,125	115,827	308,226	352,223
Premiums ceded to reinsurers		(56,914)	(54,213)	(171,194)	(162,386)
<b>Net earned premiums</b>		<b>43,211</b>	<b>61,614</b>	<b>137,032</b>	<b>189,837</b>
Investment income	6	9,878	8,016	25,075	22,746
Realised gains and losses		3,407	3,094	5,946	6,059
Fair value gains and losses		4,573	5,356	9,303	11,019
Fees and commission income		3,997	8,337	23,855	27,186
Other operating income		416	368	2,187	1,460
<b>Other revenue</b>		<b>22,271</b>	<b>25,171</b>	<b>66,366</b>	<b>68,470</b>
Gross claims paid		(37,658)	(49,191)	(111,376)	(192,380)
Claims ceded to reinsurers		21,204	26,189	64,674	116,423
Gross change to contract liabilities		(117,481)	(88,933)	(200,011)	(87,945)
Change in contract liabilities ceded to reinsurers		117,306	86,965	190,497	94,511
<b>Net claims</b>		<b>(16,629)</b>	<b>(24,970)</b>	<b>(56,216)</b>	<b>(69,391)</b>
Fee and commission expenses		(10,908)	(18,322)	(36,806)	(57,586)
Management expenses		(29,217)	(27,966)	(76,735)	(85,078)
Other operating expenses		(933)	(39)	(505)	(102)
Finance costs		(67)	(42)	(210)	(151)
<b>Other expenses</b>		<b>(41,125)</b>	<b>(46,369)</b>	<b>(114,256)</b>	<b>(142,917)</b>
Share of results of an associate		(377)	830	(1,702)	2,468
Share of results of a joint venture company		54	45	361	896
<b>Profit before taxation</b>	7	<b>7,405</b>	<b>16,321</b>	<b>31,585</b>	<b>49,363</b>
Taxation	8	(2,349)	(1,368)	(4,991)	(2,672)
<b>Net profit for the period</b>		<b>5,056</b>	<b>14,953</b>	<b>26,594</b>	<b>46,691</b>

## Tune Protect Group Berhad (948454-K)

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

	Current quarter		Cumulative quarters	
	3 months ended		9 months ended	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 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	(3,668)	741	(2,737)	3,541
Other comprehensive income/(loss) for the period	<b>(3,668)</b>	<b>741</b>	<b>(2,737)</b>	<b>3,541</b>
<b>Total comprehensive income for the period</b>	<b>1,388</b>	<b>15,694</b>	<b>23,857</b>	<b>50,232</b>
<b>Profit attributable to:</b>				
Owners of the parent	2,278	10,989	17,375	40,039
Non-controlling interests	2,778	3,964	9,219	6,652
	<b>5,056</b>	<b>14,953</b>	<b>26,594</b>	<b>46,691</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	(1,390)	11,730	14,638	43,580
Non-controlling interests	2,778	3,964	9,219	6,652
	<b>1,388</b>	<b>15,694</b>	<b>23,857</b>	<b>50,232</b>
<b>Basic and diluted earnings per share attributable to owners of the parent (sen per share)</b>				
9	<b>0.30</b>	<b>1.46</b>	<b>2.31</b>	<b>5.33</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 September 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	-	-	-	-	-	-	17,375	17,375	9,219	26,594
Other comprehensive profit for the period	-	-	-	-	-	(2,737)	-	(2,737)	-	(2,737)
Total comprehensive income for the period	-	-	-	-	-	(2,737)	17,375	14,638	9,219	23,857
Grant of equity-settled share options to employees	-	-	-	-	(478)	-	-	(478)	-	(478)
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(2,846)	(2,846)
<b>At 30 September 2020</b>	<b>248,519</b>	<b>-</b>	<b>499</b>	<b>55</b>	<b>2,999</b>	<b>8,472</b>	<b>312,613</b>	<b>573,157</b>	<b>145,411</b>	<b>718,568</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	-	-	-	-	-	-	40,039	40,039	6,652	46,691
Other comprehensive loss for the period	-	-	-	-	-	3,541	-	3,541	-	3,541
Total comprehensive (loss)/income for the period	-	-	-	-	-	3,541	40,039	43,580	6,652	50,232
Grant of equity-settled share options to employees	-	-	-	-	(486)	-	-	(486)	-	(486)
Increase in non-controlling interest arising from reduction of interest in subsidiary	-	-	-	-	-	-	-	-	85,724	85,724
Dividends on ordinary shares	-	-	-	-	-	-	(22,553)	(22,553)	(1,673)	(24,226)
<b>At 30 September 2019</b>	<b>248,519</b>	<b>-</b>	<b>155</b>	<b>124</b>	<b>3,520</b>	<b>10,698</b>	<b>284,600</b>	<b>547,616</b>	<b>138,317</b>	<b>685,933</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 September 2020

	Cumulative quarters 9 months ended	
	30 Sept 2020	30 Sept 2019
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	31,585	49,363
Adjustments for:		
Non-cash items	7,686	(3,510)
Investment related income	(38,983)	(40,875)
Operating profit before working capital changes	288	4,978
Net change in operating assets	(171,684)	(83,634)
Net change in operating liabilities	176,713	71,293
Cash generated from/(used in) operating activities	5,316	(7,363)
Net interest received	1,780	6,704
Net dividend received	8,739	12,843
Rental received	-	15
Retirement benefits	(104)	(66)
Income tax paid net of refund	(1,327)	(3,710)
Net cash generated from operating activities	14,403	8,423
<b>Cash flows from investing activities</b>		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(415,040)	(59,293)
Proceeds from disposal of FVTPL financial assets	408,085	132,210
Cash received from non-controlling interest for units created in subsidiary	-	65,722
Increase in loans and receivables	(1,004)	(107,723)
Proceeds from disposal of property and equipment	9	2,949
Purchase of property and equipment	(920)	(1,274)
Purchase of intangible assets	(2,778)	(940)
Net cash (used in)/generated from investing activities	(11,648)	31,651
<b>Cash flows from financing activity</b>		
Repayment of lease liabilities	(1,810)	(1,785)
Dividends paid to equity holders	-	(22,553)
Dividends paid to non-controlling interests	(2,846)	(1,673)
Net cash used in financing activities	(4,656)	(26,011)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,900)	14,063
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(35)	(44)
<b>Cash and cash equivalents at beginning of period</b>	39,414	26,304
<b>Cash and cash equivalents at end of period</b>	37,479	40,323
<b>Cash and cash equivalents comprise:</b>		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	32,645	36,266
Cash and bank balances	4,834	4,057
	37,479	40,323

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 September 2020

### 1. Basis of preparation

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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 September 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 September 2020.



## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 September 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 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>												
External	442	1,231	8,669	6,645	33,500	55,980	290,690	311,113	-	-	333,301	374,969
Inter-segment	40,587	20,085	-	-	5,381	18,082	6,346	4,240	(52,315)	(42,407)	-	-
	<u>41,029<sup>1</sup></u>	<u>21,316</u>	<u>8,669</u>	<u>6,645</u>	<u>38,880<sup>2</sup></u>	<u>74,062</u>	<u>297,037<sup>3</sup></u>	<u>315,353</u>	<u>(52,315)</u>	<u>(42,407)</u>	<u>333,301<sup>4</sup></u>	<u>374,969</u>
<b>Segment profit</b>	<u>28,191</u>	<u>6,532</u>	<u>15,482</u>	<u>11,231</u>	<u>12,318</u>	<u>32,240</u>	<u>28,543</u>	<u>26,607</u>	<u>(52,950)</u>	<u>(27,248)</u>	<u>31,585</u>	<u>49,363</u>
<b>Segment assets</b>	<u>310,718</u>	<u>278,410</u>	<u>261,921</u>	<u>274,800</u>	<u>164,409</u>	<u>173,597</u>	<u>1,386,267</u>	<u>1,280,035</u>	<u>(319,679)</u>	<u>(312,795)</u>	<u>1,803,636</u>	<u>1,694,048</u>
<b>Segment liabilities</b>	<u>6,688</u>	<u>2,145</u>	<u>650</u>	<u>12,694</u>	<u>18,470</u>	<u>20,379</u>	<u>1,073,306</u>	<u>983,172</u>	<u>(14,046)</u>	<u>(10,274)</u>	<u>1,085,068</u>	<u>1,008,116</u>

<sup>1</sup> includes investment income of RM41.029 million

<sup>2</sup> includes investment income of RM3.893 million

<sup>3</sup> includes investment income of RM18.418 million

<sup>4</sup> includes investment income of RM25.075 million

## Tune Protect Group Berhad (948454-K)

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

#### 6. Investment income

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	RM'000	RM'000	RM'000	RM'000
Rental income from property	-	-	-	15
Interest income:				
- financial assets at amortised cost	185	300	681	636
- financial assets at FVTPL	2,902	2,886	9,017	7,394
- bank balances	9	14	39	38
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	2,024	1,108	2,307	2,830
Dividend income:				
- financial assets at FVTPL	4,759	3,709	13,031	11,832
	<u>9,878</u>	<u>8,016</u>	<u>25,075</u>	<u>22,746</u>

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

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	392	407	1,181	1,224
Depreciation of right-of-use assets	611	547	1,659	1,689
Amortisation of intangible assets	517	512	1,187	1,368
Impairment/(reversal) of impairment losses on insurance receivables	1,355	(1,904)	3,437	(5,066)
Reversal of impairment losses on reinsurance assets	-	-	-	(198)
Interest expense on lease liabilities	67	42	210	151
Write-off of property and equipment	5	2	5	13
Write-off of intangible assets	-	10	-	10

## Tune Protect Group Berhad (948454-K)

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

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

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	RM'000	RM'000	RM'000	RM'000
Realised gains on disposal of:				
- property and equipment	(1)	(2,296)	(2)	(2,313)
- financial assets at FVTPL	(3,407)	(798)	(5,946)	(3,746)
Net realised gains	(3,408)	(3,094)	(5,949)	(6,059)
Fair value (gains)/losses on financial assets carried at FVTPL	(4,573)	(5,356)	(9,303)	(11,019)
(Gain)/loss on foreign exchange - realised	(10)	(10)	(509)	(170)
(Gain)/loss on foreign exchange - unrealised	930	(10)	311	(205)

#### 8. Taxation

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	RM'000	RM'000	RM'000	RM'000
Income tax	2,539	1,859	3,998	2,723
Deferred tax	(191)	(491)	993	(51)
	2,349	1,368	4,991	2,672
Effective tax rate	32%	8%	16%	5%

The Group's effective tax rate for the quarter ended 30 September 2020 is higher than the statutory tax rate mainly due to provision for tax on investment capital gains. However, the Group's effective tax rate for the period ended 30 September 2020 is lower than statutory tax rate mainly due to tax exempt dividend received.

#### 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 September 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 9 months ended	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to owners of the parent (RM'000)	2,278	10,989	17,375	40,039
Number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	0.30	1.46	2.31	5.33

#### 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 September 2020.

## Tune Protect Group Berhad (948454-K)

### Explanatory Notes Pursuant to MFRS 134 For the period ended 30 September 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 September 2020</b>					
<b>Financial assets at FVTPL:</b>					
Unquoted debt securities in Malaysia	30 September 2020	-	264,732	-	264,732
Quoted unit trust funds in Malaysia	30 September 2020	515,040	-	-	515,040
		<u>515,040</u>	<u>264,732</u>	<u>-</u>	<u>779,771</u>

## Tune Protect Group Berhad (948454-K)

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

#### 13. Capital commitments

	<u>As at</u> <u>30 Sept</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	42,544	46,811
Property and equipment	329	963
	<u><b>42,873</b></u>	<u><b>47,774</b></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 September 2020

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

	Current quarter		Cumulative quarters	
	3 months ended		9 months ended	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	RM'000	RM'000	RM'000	RM'000
<b>Income/(expenses):</b>				
<b>AAB</b>				
Gross written premium	3,025	6,392	9,069	23,865
Fee and commission expenses	(756)	(1,598)	(2,267)	(5,966)
Data management fee	(3)	(5)	(11)	(17)
<b>AAX</b>				
Gross written premium	7	1,242	1,294	5,257
Fee and commission expenses	(2)	(311)	(324)	(1,314)
<b>PTAA</b>				
Gross written premium	34	386	346	1,406
Fee and commission expenses	-	(96)	-	(352)
Telemarketing commission expenses	-	(1)	(2)	(5)
<b>TAA</b>				
Gross written premium	-	201	83	849
Fee and commission expenses	-	(50)	-	(212)
Telemarketing commission expenses	(3)	(3)	(8)	(10)
<b>TGSB</b>				
Royalty fee	(859)	(1,339)	(2,893)	(4,257)
Rental and utilities charges	(379)	(360)	(945)	(1,083)
<b>SP&amp;G</b>				
Brokerage fee	(176)	(372)	(687)	(1,054)
<b>Rokki</b>				
Advertisement expenses	-	-	-	(450)
<b>TPCBLLC</b>				
Facilitator fees	(2,987)	(1,332)	(4,363)	(4,544)

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 September 2020

#### 17. Performance review

##### 17.1 Current quarter ("3Q20") against corresponding quarter in prior year ("3Q19")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>												
External	41	307	2,786	2,735	11,623	20,197	95,554	100,604	-	-	110,003	123,843
Inter-segment	15,161	0	-	-	1,241	4,938	2,206	1,752	(18,608)	(6,690)	-	-
	15,202	307	2,786	2,735	12,863	25,135	97,760	102,356	(18,608)	(6,690)	110,003	123,843
<b>Segment profit</b>	10,507	(5,453)	4,837	4,336	2,678	9,861	8,576	9,751	(19,193)	(2,175)	7,405	16,321

#### Group/Consolidated

The Group's operating revenue decreased from RM123.8 million in 3Q19 to RM110.0 million in 3Q20. The decrease of RM13.8 million or 11% was mainly due to:

- Decrease of RM15.7 million in gross earned premiums mainly attributed to Travel segment RM15.5 million and Non-Travel segments RM0.2 million; offset by
- Increase of RM1.9 million in investment income mainly due to higher share of investment income from MMIP.

The decrease of RM8.9 million or 55% in Group's profit before tax from RM16.3 million in 3Q19 to RM7.4 million in 3Q20 was mainly due to:

- Decrease in net earned premiums of RM18.4 million primarily owing to the decrease in Travel segment RM15.5 million as a result of Covid-19 effect and extension of Movement Control Order ("MCO") effect and Non-Travel segments RM2.9 million notably Motor, Medical and Personal Accident classes of business;
- Increase in management expenses of RM1.3 million due to increase in provision for impairment on receivables of RM3.3 million; offset by decrease in employee costs of RM0.4 million and marketing expenses of RM1.7 million;
- Decrease in fair value gains of investments of RM0.8 million as a result of heavy sell down during the period;
- Increase in net other operating expenses/income of RM0.8 million mainly due to higher unrealised loss on foreign exchange;
- Decrease in share of results of an associate and join-venture companies of RM1.2 million; offset by
- Decrease in net commission expenses of RM3.1 million in tandem with decrease in gross written premiums coupled with higher overriding commission earned from broking business;
- Decrease in net claims incurred of RM8.4 million due to favourable claims experience during the period; and
- Increase of RM1.9 million in investment income mainly due to higher share of investment income from MMIP.

## **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 September 2020**

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

#### **17.1 Current quarter ("3Q20") against corresponding quarter in prior year ("3Q19") (cont'd.)**

##### **General reinsurance**

Operating revenue of this segment decreased by RM12.3 million or 49% from RM25.1 million in 3Q19 to RM12.8 million in 3Q20, mainly due to:

- Decrease in gross earned premiums of RM13.0 million attributed mainly to both international and domestic markets; offset by
- Increase in investment income of RM0.7 million from dividend income received from unit trust funds.

The decrease of RM7.2 million or 73% in this segment's profit from RM9.9 million in 3Q19 to RM2.7 million in 3Q20 was mainly due to:

- Decrease in net earned premiums of RM12.9 million mainly attributed to both international and domestic markets as a result of COVID-19 effect; offset by
- Decrease in net commission expense of RM4.1 million in tandem with decrease in gross written premiums;
- Decrease in net claims incurred of RM0.9 million as a result better claims experience; and
- Increase in investment income of RM0.7 million from dividend income received from unit trust funds.

##### **General insurance**

Operating revenue of this segment decreased by RM4.6 million or 4% from RM102.4 million in 3Q19 to RM97.8 million in 3Q20 attributed to:

- Decrease of RM6.4 million in gross earned premiums mainly attributed to Travel segment RM6.2 million and Non-Travel segments RM0.2 million; offset by
- Increase of RM1.8 million in investment income mainly due to higher share of investment income from MMIP.

The decrease of RM1.2 million in this segment's profit from RM9.7 million in 3Q19 to RM8.5 million in 3Q20 was mainly due to:

- Decrease in net earned premiums of RM5.6 million primarily owing to the decrease in Travel segment RM2.6 million as a result of Covid-19 effect and extension of Movement Control Order ("MCO") effect and Non-Travel segments RM3.0 million notably Motor and Medical classes of business;
- Increase in management expenses of RM1.8 million due to increase in provision for impairment on receivables of RM2.5 million; offset by employee costs RM0.8 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 September 2020

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

##### 17.1 Current quarter ("3Q20") against corresponding quarter in prior year ("3Q19") (cont'd.)

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

- Decrease in fair value gains of investments of RM2.4 million as a result of heavy sell down during the period;
- Increase in net commission expenses of RM1.0 million in tandem with decrease in premiums coupled with higher overriding commission earned from broking business; offset by
- Decrease in net claims incurred of RM7.5 million due to favourable claims experience during the period; and
- Increase of RM1.8 million in investment income mainly due to higher 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	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<b>Cumulative quarters 9 months ended</b>											
<b>Operating revenue</b>												
External	442	1,231	8,669	6,645	33,500	55,980	290,690	311,113	-	-	333,301	374,969
Inter-segment	40,587	20,085	-	-	5,381	18,082	6,346	4,240	(52,315)	(42,407)	-	-
	<u>41,029</u>	<u>21,316</u>	<u>8,669</u>	<u>6,645</u>	<u>38,880</u>	<u>74,062</u>	<u>297,037</u>	<u>315,353</u>	<u>(52,315)</u>	<u>(42,407)</u>	<u>333,301</u>	<u>374,969</u>
<b>Segment profit</b>	28,191	6,532	15,482	11,231	12,318	32,240	28,543	26,607	(52,950)	(27,248)	31,585	49,363

###### Group/Consolidated

The Group's operating revenue decreased by RM41.7 million or 11% from RM375.0 million in YTD 2019 to RM333.3 million in YTD 2020, mainly due to:

- Decrease of RM44.0 million in gross earned premiums mainly attributed to Travel segment RM46.3 million; offset by increase in Non-Travel segments RM2.3 million; offset by
- Increase of RM2.3 million in investment income mainly due to higher dividend income received from unit trust funds RM3.3 million, but offset by lower share of investment income from MMIP and interest income totalling RM0.9 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 September 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 RM49.4 million in YTD 2019 to RM31.6 million in YTD 2020. The decrease of RM17.8 million or 36% was due mainly to:

- Decrease in net earned premiums of RM52.8 million, primarily attributable to the decrease in Travel segment RM45.2 million and Non-Travel segments RM7.6 million notably Fire, Engineering and Medical classes of business. The significant decrease is attributed to continuous pandemic Covid-19 effect;
- Decrease in share of results of an associate and joint-venture companies of RM4.1 million; offset by
- Decrease in net commission expense of RM17.4 million in tandem with decrease in gross written premiums;
- Decrease in management expenses of RM8.3 million due to decrease in advertising and marketing expenses RM8.1 million, employee costs RM4.4 million, royalty expenses RM1.4 million and other general and admin expenses RM3.1 million; but offset by increase in provision for impairment on receivables RM8.7 million; and
- Decrease in net claims incurred of RM13.2 million due to favourable claims experience during the period.

##### **General reinsurance**

Operating revenue of this segment decreased by RM35.2 million or 48% from RM74.1 million in YTD 2019 to RM38.9 million in YTD 2020, mainly due to:

- Decrease in gross earned premiums of RM36.6 million attributed mainly to Covid-19 outbreak which impacted both international and domestic markets; offset by
- Increase in investment income of RM1.4 million from dividend income from unit trust funds.

The decrease of RM19.9 million or 62% in this segment's profit from RM32.2 million in YTD 2019 to RM12.3 million in YTD 2020 was mainly due:

- Decrease in net earned premiums of RM36.3 million mainly attributed to both international and domestic markets as a result of COVID-19 effect; offset by
- Decrease in net commission expense of RM13.6 million in tandem with decrease in gross written premiums;
- Increase in investment income of RM1.4 million from dividend income from unit trust funds;
- Decrease in net claims incurred of RM1.0 million due to favourable claims experience during the period; and
- Decrease in management expenses of RM0.6 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 September 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 RM18.3 million or 6% from RM315.3 million in YTD 2019 to RM297.0 million in YTD 2020, mainly due to:

- Decrease of RM20.1 million in gross earned premiums mainly attributed to Travel segment RM22.4 million; offset by increase in Non-Travel segments RM2.3 million; offset by
- Increase of RM1.8 million in investment income mainly due to higher dividend income received from unit trust funds and share of investment income from MMIP and interest income.

Profit of this segment increased by RM1.9 million or 7% from RM26.6 million in YTD 2019 to RM28.5 million in YTD 2020, due mainly to:

- Decrease in net commission expense of RM3.9 million in tandem with decrease in gross written premiums;
- Decrease in net claims incurred of RM12.3 million due to favourable claims experience during the period;
- Decrease in management expenses of RM5.4 million due to decrease in advertising and marketing expenses of RM2.9 million, employee costs of RM2.9 million and other general and admin expenses of RM0.5 million; but offset by increase in provision for impairment on receivables of RM0.9 million; and
- Increase of RM1.8 million in investment income mainly due to higher dividend income received from unit trust funds and share of investment income from MMIP and interest income;
- Increase in other operating income of RM1.2 million mainly due to management fee income from related companies; offset by
- Decrease in net earned premiums of RM16.5 million, primarily from Travel segment of RM8.9 million as a result of Covid-19 effect and Non-Travel of RM9.3 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 RM1.7 million; and
- Decrease in fair value gains on investments of RM6.2 million.

#### 17.3 Current quarter ("3Q20") against preceding quarter in current year ("2Q20")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 Sept 2020	30 Jun 2020	30 Sept 2020	30 Jun 2020	30 Sept 2020	30 Jun 2020	30 Sept 2020	30 Jun 2020	30 Sept 2020	30 Jun 2020	30 Sept 2020	30 Jun 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
	Current quarter 3 months ended											
<b>Operating revenue</b>												
External	41	99	2,786	2,890	11,623	4,077	95,554	93,876	-	-	110,003	100,942
Inter-segment	15,161	25,427	-	-	1,241	578	2,206	2,049	(18,608)	(28,054)	-	-
	15,202	25,526	2,786	2,890	12,863	4,655	97,760	95,926	(18,608)	(28,054)	110,003	100,942
<b>Segment profit</b>	10,507	21,483	4,837	10,025	2,678	1,640	8,576	18,813	(19,193)	(31,358)	7,405	20,603

## **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 September 2020**

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

##### **17.3 Current quarter ("3Q20") against preceding quarter in current year ("2Q20") (cont'd.)**

###### **Group/Consolidated**

The Group's operating revenue increased from RM100.9 million in 2Q20 to RM110.0 million in 3Q20. The increase of RM9.1 million or 9% was mainly due to:

- Increase of RM7.1 million in gross earned premiums mainly attributed to Travel segment RM8.8 million mainly contributed by Middle East market; offset by Non-Travel segments RM1.7 million; and
- Increase of RM2.0 million in investment income mainly increase in share of investment income from MMIP and dividend income received from unit trust funds.

The decrease of RM13.2 million in Group's segment profit from RM20.6 million in 2Q20 to RM7.4 million in 3Q20 was mainly due to:

- Decrease in fair value gains on investments of RM6.6 million as a result heavy sell down during the quarter following strong market rebound in 2Q20;
- Compensation costs due to the change in management structure; and
- Additional marketing allocation for the launch of our mobile application in Malaysia.

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

Operating revenue of this segment reported increase of RM8.2 million from RM4.6 million in 2Q20 to RM12.8 million in 3Q20, mainly due to:

- Increase in gross earned premiums of RM7.7 million mainly contributed by a strong take up observed for our Travel PA and Covid-19 product in the Middle East market.

Profit of this segment recorded a slight increase of RM1.0 million or 63% from RM1.6 million in 2Q20 to RM2.6 million in 3Q20.

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

Operating revenue of this segment reported increase of RM1.8 million or 2% from RM95.9 million in 2Q20 to RM97.7 million in 3Q20, mainly due to:

- Increase of RM1.8 million in investment income mainly increase in share of investment income from MMIP and dividend income received from unit trust funds.

Profit of this segment decreased by RM10.2 million from RM18.8 million in 2Q20 to RM8.6 million in 3Q20, mainly due to:

- Decrease in fair value gains on investments of RM7.0 million as a result heavy sell down during the quarter following strong market rebound in 2Q20 and additional marketing allocation for the launch of our mobile application in Malaysia.

## **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 September 2020**

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

The Group experienced continued recovery in the Travel business in 3Q2020 with 311% quarter-on-quarter increase in total travel policies sold and 463% increase in travel premium compared to 2Q2020.

In response to the pandemic, some countries (such as United Arab Emirates and Oman) responded quickly and had taken the lead to strongly encourage Travel and Health Insurance coverage for its inbound passengers. Closer to home, Thailand have also followed suit and made Travel and Health insurance coverage mandatory for its inbound passengers. The Group is currently involved in various discussions with selected airlines which expressed strong interest to bundle insurance coverage in their value plan or air fares.

The Group is cautiously optimistic that travel business demand may achieve further recovery in the fourth quarter of 2020.

On non-travel segments, there were some improvement in claim ratio in 3Q2020, specifically in the Motor segment. 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 strong 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 September 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 for the authority for the Company to purchase up to ten percent (10%) of the total number of issued shares of the Company at any time during the period the authority granted is in effect, subject to the necessary regulatory compliance, at the Company's Annual General Meeting scheduled on 4 August 2020. The ordinary resolution as set out in the Notice of the Company's 9th Annual General Meeting was carried by way of poll.

## **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 September 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.

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 received a notice dated 25 September 2020 from MyCC on their decision wherein they have found that TIMB and 21 other general insurance companies in Malaysia who are members of PIAM had infringed Section 4 of the CA ("Decision").

The MyCC has imposed a financial penalty of Ringgit Malaysia Two Million Five Hundred and Seventy-One Thousand Seventy-Seven and Sen Fifty-Two (RM2,571,077.52) only on the part of TIMB and a consolidated amount of RM130,241,474.74 on all the 22 members of PIAM. The MyCC has granted a moratorium period for the payment of the financial penalty up to 24 March 2021 and at the end of the moratorium period, TIMB is allowed to make the payment of the financial penalty by six (6) equal monthly instalments.

The MyCC has also directed TIMB to: (a) cease implementing the agreed parts trade discount and the hourly labour rate previously agreed upon with the workshops with immediate effect; and (b) determine all future parts trade discount rate and future hourly labour rates with the workshops independently.

TIMB had on 13 October 2020 filed a Notice of Appeal to the Competition Appeal Tribunal appealing against the Decision. TIMB had also on 14 October 2020 made an application to the Competition Appeal Tribunal for a stay of the financial penalty imposed by MyCC in its Decision, in accordance with Section 53 of the Competition Act 2010.

In respect of TIMB's appeal against MYCC's Decision and application for a stay of the financial penalty imposed, both TIMB and MyCC are preparing to file the necessary replies whilst awaiting for a hearing date on this matter.

TIMB, in consultation with their legal counsels are of the firm view that TIMB has not infringed Section 4 of the Competition Act 2010 and that TIMB has at all times acted in accordance to the directives issued by Bank Negara Malaysia. TIMB will further deliberate on this matter with its legal counsel and the industry, and will decide on the necessary course of action in due course.



## **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 September 2020**

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

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

On 20 December 2018, TIMB received Notice of Additional Assessment (Form JA) from the Lembaga Hasil Dalam Negeri ("LHDN") in respect of Years of Assessment ("YA") 2013 to 2015,

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 ordered 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 ("SCIT").

On 11 June 2019, LHDN filed a Notice of Appeal against the decision of the High Court. The appeal was subsequently withdrawn and a consent order was entered at the Court of Appeal on 13 November 2020 stating:

- (a) The PRAD expenses are allowed for deduction for income tax purposes;
- (b) LHDN will issue the Notices of Reduced Assessment for the YA 2013, 2014 and 2015 within 90 days of the date of the order;
- (c) The consent order applies only to this case;
- (d) The High Court order dated 23 May 2019 is affirmed; and
- (e) No order as to cost

TIMB's appeal against all other additional taxes and penalties levied by LHDN is fixed for Hearing on 4-5 May 2021 before the SCIT.

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 appeal before the SCIT, as they believe that there are strong grounds to argue their case, based on legal advice received.

## **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 September 2020**

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

##### **(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 September 2020, the amount owed by the Reinsurer amounted to RM13,309,000 of which RM4,812,000 has been impaired.

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 4 December 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 September 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 September 2020 or the previous year ended 31 December 2019.

#### **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 September 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.