



Tune Protect Group Berhad (948454-K)

Interim Financial Statements

For the Quarter and Twelve Months Ended 31 December 2020

Tune Protect Group Berhad (948454-K)

Condensed consolidated statement of financial position As at 31 December 2020

	As at 31 Dec 2020 Unaudited RM'000	As at 31 Dec 2019 Audited RM'000
Assets		
Property and equipment	3,906	4,282
Intangible assets	5,919	4,402
Right-of-use assets	5,951	2,247
Investment in an associate	61,600	66,145
Investment in a joint venture company	7,443	3,263
Goodwill	24,165	24,165
Deferred tax assets	1,472	2,178
Investments	823,589	786,207
Reinsurance assets	625,420	483,927
Insurance receivables	104,659	130,654
Other receivables	79,760	87,724
Cash and bank balances	6,441	11,704
Total assets	1,750,325	1,606,898
Equity		
Share capital	248,519	248,519
Employee share option reserves	2,859	3,477
Foreign currency translation reserve	9,914	11,209
Other comprehensive income ("OCI") reserve	(87)	499
Other reserve	195	55
Retained earnings	313,630	295,238
Equity attributable to owners of the parent	575,030	558,997
Non-controlling interests	146,004	139,038
Total equity	721,035	698,035
Liabilities		
Insurance contract liabilities	902,065	781,305
Deferred tax liabilities	135	572
Insurance payables	73,823	80,951
Other payables	47,161	43,720
Lease liabilities	6,106	2,315
Total liabilities	1,029,290	908,863
Total equity and liabilities	1,750,325	1,606,898
Net assets per ordinary share attributable to owners of the parent (RM)	0.77	0.74

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

Tune Protect Group Berhad (948454-K)

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

	Note	Current quarter		Cumulative quarters	
		3 months ended		12 months ended	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
		RM'000	RM'000	RM'000	RM'000
Operating revenue		117,232	125,832	450,533	500,801
Gross earned premiums		110,452	117,058	418,678	469,281
Premiums ceded to reinsurers		(57,604)	(52,215)	(228,798)	(214,601)
Net earned premiums		52,848	64,843	189,880	254,680
Investment income	6	6,780	8,774	31,855	31,520
Realised gains and losses		8,844	(2,166)	14,790	3,893
Fair value gains and losses		(11,899)	(2,603)	(2,596)	8,416
Fees and commission income		4,761	9,743	28,616	36,929
Other operating income		2,098	492	4,285	1,698
Other revenue		10,584	14,240	76,950	82,456
Gross claims paid		(43,273)	(114,773)	(154,649)	(307,153)
Claims ceded to reinsurers		27,316	94,587	91,990	211,010
Gross change to contract liabilities		31,070	72,851	(168,941)	(14,152)
Change in contract liabilities ceded to reinsurers		(20,134)	(65,628)	170,363	27,940
Net claims		(5,021)	(12,963)	(61,237)	(82,355)
Fee and commission expenses		(14,666)	(19,338)	(51,472)	(76,924)
Management expenses		(44,257)	(35,028)	(120,992)	(119,750)
Other operating expenses		(22)	(422)	(527)	(625)
Finance costs		(90)	(44)	(300)	(195)
Other expenses		(59,035)	(54,832)	(173,291)	(197,494)
Share of results of an associate		(187)	716	(1,889)	3,184
Share of results of a joint venture company		3,908	281	4,269	1,177
Profit before taxation	7	3,097	12,285	34,682	61,648
Taxation	8	(1,487)	(925)	(6,478)	(3,597)
Net profit for the period		1,610	11,360	28,204	58,051

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

	Current quarter		Cumulative quarters	
	3 months ended		12 months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss):				
<u>Items that will not be subsequently reclassified to profit or loss</u>				
Share of other comprehensive income of an associate	(446)	275	(446)	275
Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company	1,442	511	(1,295)	4,052
Other comprehensive income/(loss) for the period	996	786	(1,741)	4,327
Total comprehensive income for the period	2,606	12,146	26,463	62,378
Profit attributable to:				
Owners of the parent	1,017	10,638	18,392	50,677
Non-controlling interests	593	722	9,812	7,374
	1,610	11,360	28,204	58,051
Total comprehensive income attributable to:				
Owners of the parent	2,013	11,424	16,651	55,004
Non-controlling interests	593	722	9,812	7,374
	2,606	12,146	26,463	62,378
Basic and diluted earnings per share attributable to owners of the parent (sen per share)				
9	0.14	1.42	2.45	6.74

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

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

	Attributable to the owners of the parent									
	← Non-distributable					→ Distributable				
	Share capital	Available-for-sale reserves	Other OCI reserve	Other reserve	Employee share option reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	248,519	-	499	55	3,477	11,209	295,238	558,997	139,038	698,035
Net profit for the period	-	-	-	-	-	-	18,392	18,392	9,812	28,204
Other comprehensive income/(loss) for the period	-	-	(586)	140	-	(1,295)	-	(1,741)	-	(1,741)
Total comprehensive income/(loss) for the period	-	-	(586)	140	-	(1,295)	18,392	16,651	9,812	26,463
Grant of equity-settled share options to employees	-	-	-	-	(618)	-	-	(618)	-	(618)
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(2,846)	(2,846)
At 31 December 2020	248,519	-	(87)	195	2,859	9,914	313,630	575,030	146,004	721,035
At 1 January 2019	248,519	-	155	124	4,006	7,157	267,114	527,075	47,614	574,689
Net profit for the period	-	-	-	-	-	-	50,677	50,677	7,374	58,051
Other comprehensive income/(loss) for the period	-	-	344	(69)	-	4,052	-	4,327	-	4,327
Total comprehensive income/(loss) for the period	-	-	344	(69)	-	4,052	50,677	55,004	7,374	62,378
Grant of equity-settled share options to employees	-	-	-	-	(529)	-	-	(529)	-	(529)
Increase in non-controlling interest arising from reduction of interest in subsidiary	-	-	-	-	-	-	-	-	85,723	85,723
Dividends on ordinary shares	-	-	-	-	-	-	(22,553)	(22,553)	(1,673)	(24,226)
At 31 December 2019	248,519	-	499	55	3,477	11,209	295,238	558,997	139,038	698,035

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 31 December 2020

	Cumulative quarters 12 months ended	
	31 Dec 2020	31 Dec 2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	34,682	61,648
Adjustments for:		
Non-cash items	20,289	6,984
Investment related income	(46,429)	(48,585)
Operating profit before working capital changes	8,542	20,047
Net change in operating assets	(115,159)	15,086
Net change in operating liabilities	111,487	(32,060)
Cash generated from operating activities	4,869	3,073
Net interest received	13,495	9,959
Net dividend received	14,895	18,490
Rental received	-	15
Retirement benefits	(104)	(181)
Income tax paid net of refund	(4,416)	(3,719)
Net cash generated from operating activities	28,739	27,637
Cash flows from investing activities		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(878,137)	(93,316)
Proceeds from disposal of FVTPL financial assets	935,299	136,430
Cash received from non-controlling interest for units created in subsidiary	-	68,070
Increase in loans and receivables	(631)	(98,458)
Proceeds from disposal of property and equipment	8	3,011
Purchase of property and equipment	(1,253)	(1,503)
Purchase of intangible assets	(3,520)	(2,121)
Net cash generated from investing activities	51,766	12,113
Cash flows from financing activity		
Cancellation of units in subsidiary	(80,665)	-
Repayment of lease liabilities	(2,435)	(2,389)
Dividends paid to equity holders	-	(22,553)
Dividends paid to non-controlling interests	(2,846)	(1,673)
Net cash used in financing activities	(85,946)	(26,615)
Net (decrease)/increase in cash and cash equivalents	(5,441)	13,135
Effect of exchange rate changes on cash and cash equivalents	(74)	(25)
Cash and cash equivalents at beginning of period	39,414	26,304
Cash and cash equivalents at end of period	33,900	39,414
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	27,459	27,710
Cash and bank balances	6,441	11,704
	33,900	39,414

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 31 December 2020

1. Basis of preparation

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

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

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 year ended 31 December 2020.

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

5. Segment information

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

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

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue												
External	735	1,531	11,030	9,591	61,021	76,357	377,747	413,322	-	-	450,533	500,801
Inter-segment	40,587	21,096	-	-	6,046	24,018	6,989	5,712	(53,622)	(50,826)	-	-
	<u>41,322¹</u>	<u>22,627</u>	<u>11,030</u>	<u>9,591</u>	<u>67,068²</u>	<u>100,375</u>	<u>384,736³</u>	<u>419,034</u>	<u>(53,622)</u>	<u>(50,826)</u>	<u>450,533⁴</u>	<u>500,801</u>
Segment profit	<u>24,315</u>	<u>3,631</u>	<u>16,199</u>	<u>13,207</u>	<u>12,047</u>	<u>38,632</u>	<u>31,861</u>	<u>37,241</u>	<u>(49,739)</u>	<u>(31,062)</u>	<u>34,682</u>	<u>61,648</u>
Segment assets	<u>307,980</u>	<u>278,374</u>	<u>202,813</u>	<u>267,700</u>	<u>173,333</u>	<u>180,196</u>	<u>1,317,956</u>	<u>1,193,695</u>	<u>(251,757)</u>	<u>(313,624)</u>	<u>1,750,325</u>	<u>1,606,340</u>
Segment liabilities	<u>8,053</u>	<u>5,133</u>	<u>826</u>	<u>1,269</u>	<u>27,658</u>	<u>20,779</u>	<u>1,003,087</u>	<u>887,672</u>	<u>(10,333)</u>	<u>(5,990)</u>	<u>1,029,290</u>	<u>908,863</u>

¹ includes investment income of RM41.317 million

² includes investment income of RM4.719 million

³ includes investment income of RM22.362 million

⁴ includes investment income of RM31.855 million

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

6. Investment income

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Rental income from property	-	-	-	15
Interest income:				
- financial assets at amortised cost	177	371	858	1,007
- financial assets at FVTPL	2,477	3,062	11,494	10,456
- bank balances	4	7	42	46
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	1,082	699	3,389	3,529
Dividend income:				
- financial assets at FVTPL	3,040	4,635	16,072	16,467
	<u>6,780</u>	<u>8,774</u>	<u>31,855</u>	<u>31,520</u>

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	414	414	1,595	1,638
Depreciation of right-of-use assets	579	573	2,238	2,261
Amortisation of intangible assets	640	176	1,827	1,544
Impairment/(reversal) of impairment losses on insurance receivables	8,436	6,117	11,873	1,051
Impairment/(reversal) of impairment losses on reinsurance assets	2,278	53	2,278	(145)
Interest expense on lease liabilities	90	44	300	195
Write-off of property and equipment	6	5	10	18
Write-off of intangible assets	-	10	-	10

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

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

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Realised gains on disposal of:				
- property and equipment	9	2,708	6	395
- financial assets at FVTPL	(8,844)	(542)	(14,790)	(4,288)
Net realised (gains)/ loss	(8,835)	2,166	(14,784)	(3,893)
Fair value (gains)/losses on financial assets carried at FVTPL	11,899	2,603	2,596	(8,416)
(Gain)/loss on foreign exchange - realised	(39)	(92)	(548)	(261)
(Gain)/loss on foreign exchange - unrealised	(7)	374	303	170

8. Taxation

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Income tax	2,173	1,899	6,171	4,622
Deferred tax	(686)	(974)	307	(1,025)
	1,487	925	6,478	3,597
Effective tax rate	48%	8%	19%	6%

The Group's effective tax rate for the quarter ended 31 December 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 year ended 31 December 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.

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 December 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 12 months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Profit net of tax attributable to owners of the parent (RM'000)	1,017	10,638	18,392	50,677
Number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	0.14	1.42	2.45	6.74

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 year ended 31 December 2020.

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 December 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
Assets measured at fair value:					
31 December 2020					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 December 2020	-	210,400	-	210,400
Quoted unit trust funds in Malaysia	31 December 2020	576,143	-	-	576,143
		<u>576,143</u>	<u>210,400</u>	<u>-</u>	<u>786,543</u>

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Explanatory Notes Pursuant to MFRS 134 For the period ended 31 December 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	Observable inputs (Level 2) RM'000	Unobservable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value: (cont'd.)					
31 December 2019					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 December 2019	-	274,845	-	274,845
Quoted unit trust funds in Malaysia	31 December 2019	473,032	-	-	473,032
Unquoted equity securities in the United Kingdom	31 December 2019	-	-	2,986	2,986
		<u>473,032</u>	<u>274,845</u>	<u>2,986</u>	<u>750,863</u>

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current financial period and previous financial year. There were also no transfers in and out of Level 3 of the fair value hierarchy.

Determination of fair value and fair value hierarchy

The fair values of the Group's assets which are carried at fair value or for which fair value is disclosed, are determined as follows:

- (i) The fair values of unquoted corporate bonds are determined by reference to Bond Pricing Agency Malaysia.
- (ii) The fair value of investments in unit trust funds and collective investment schemes are determined by reference to published net asset values.
- (iii) The fair value of investment property was estimated by an accredited independent valuer based on the market comparison approach method.
- (iv) The fair value of the investment in unquoted equity securities is determined using the recent transaction price on disposal of the investment, based on the Share Purchase Agreement dated 9 January 2020.

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

13. Capital commitments

	<u>As at</u> <u>31 Dec</u> <u>2020</u> <u>RM'000</u>	<u>As at</u> <u>31 Dec</u> <u>2019</u> <u>RM'000</u>
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	52,344	46,811
Property and equipment	4,840	963
	<u>57,184</u>	<u>47,774</u>

14. Contingencies

There were no contingent assets or liabilities as at the date of this report, other than liabilities arising from insurance contracts underwritten in the ordinary course of business of the Group.

15. Related party transactions

Details of the relationships between the Group and its related parties are as described below.

Name of company	Relationship
AirAsia Berhad ("AAB")	Major shareholder of the Company
AirAsia X Berhad ("AAX")	Person connected to AAB
PT Indonesia AirAsia ("PTAA")	Person connected to AAB
SP&G Insurance Brokers ("SP&G")	SP&G is a company owned by Dato' Zakaria Bin Meranun, the brother of Datuk Kamarudin Bin Meranun, a Director and person connected to the Company's major shareholders, AAB and TGSB
Rokki	Person connected to AAB
Big Life Sdn Bhd	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

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

15. Related party transactions (cont'd.)

	Current quarter		Cumulative quarters	
	3 months ended		12 months ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Income/(expenses):				
AAB				
Gross written premium	1,584	9,162	10,652	34,711
Fee and commission expenses	(396)	(2,291)	(2,663)	(8,671)
Data management fee	(3)	(5)	(13)	(22)
AAX				
Gross written premium	-	2,015	1,294	7,627
Fee and commission expenses	-	(504)	(324)	(1,905)
PTAA				
Gross written premium	30	564	376	2,053
Fee and commission expenses	-	(141)	-	(513)
Telemarketing commission expenses	-	(1)	(2)	(6)
TAA				
Gross written premium	-	257	83	1,151
Fee and commission expenses	-	(64)	-	(288)
Telemarketing commission expenses	(3)	(3)	(11)	(13)
TGSB				
Royalty fee	(1,042)	(1,389)	(3,935)	(5,646)
Rental and utilities charges	(388)	(376)	(1,333)	(1,459)
SP&G				
Brokerage fee	(192)	(95)	(879)	(1,149)
Rokki				
Advertisement expenses	-	(50)	-	(500)
Big Life Sdn Bhd				
Purchase of loyalty points	(10)	-	(10)	-
TPCBLLC				
Facilitator fees	(8,871)	(1,354)	(13,234)	(5,774)

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.

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17. Performance review

17.1 Current quarter ("4Q20") against corresponding quarter in prior year ("4Q19")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Current quarter 3 months ended											
Operating revenue												
External	293	300	2,361	2,946	27,522	20,377	87,057	102,209	-	-	117,232	125,832
Inter-segment	-	1,011	-	-	665	5,936	642	1,472	(1,307)	(8,419)	-	-
	293	1,311	2,361	2,946	28,187	26,313	87,699	103,681	(1,307)	(8,419)	117,232	125,832
Segment (loss)/profit	(3,876)	(2,901)	717	1,976	(272)	6,391	3,317	10,634	3,211	(3,815)	3,097	12,285

Group/Consolidated

The Group's operating revenue in 4Q20 decreased by RM8.6 million to RM117.2 million from RM125.8 million in 4Q19, a decrease of 6.8% as compared to the corresponding quarter last year. The decrease in revenue was resulted from lower gross earned premium by RM6.6 million to RM110.4 million as compared to RM117.0 million in the corresponding quarter last year largely attributed by Non-Travel segment. The decrease in revenue was also attributed to lower investment income, which registered a decrease of RM2.0 million to RM6.8 million compared to RM8.8 million in the corresponding quarter last year.

Profit before tax of the Group dropped by RM9.2 million to RM3.1 million in 4Q20 from RM12.3 million in the corresponding quarter in 2019. The significant decrease was largely attributed by higher management expenses as a result of provision for impairment on insurance/ reinsurance receivables.

General reinsurance

Operating revenue of this segment in 4Q20 grew by RM1.9 million to RM28.2 million from RM26.3 million in 4Q20, an increase of 7.1% as compared to the corresponding quarter last year. The increase in revenue was mainly contributed by a strong take up observed for our Travel PA and Covid-19 product in the Middle East market.

Profit before tax of this segment dropped by RM6.7 million to RM0.3 million loss in 4Q20 from RM6.4 million in the corresponding quarter in 2019. The significant decrease was attributed by lower underwriting results due to higher management expenses resulting from higher facilitator fee expenses.

General insurance

Operating revenue of this segment in 4Q20 decreased by RM16.0 million to RM87.7 million from RM103.7 million in 4Q20, a decrease of 15.4% as compared to the corresponding quarter last year. The decrease in revenue was resulted from lower gross earned premium by RM13.9 million to RM83.8 million as compared to RM97.7 million in the corresponding quarter last year largely attributed by both Motor and Non-Motor segments. The decrease in revenue was also attributed to lower investment income, which registered a decrease of RM2.1 million to RM3.9 million compared to RM6.0 million in the corresponding quarter last year.

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17. Performance review (cont'd.)

17.1 Current quarter ("4Q20") against corresponding quarter in prior year ("4Q19") (cont'd.)

General insurance (cont'd.)

Profit before tax of this segment dropped by RM7.3 million to RM3.3 million in 4Q20 from RM10.6 million in the corresponding quarter in 2019. The significant decrease was attributed by lower underwriting results due to significant drop in net earned premium from both Motor and Non-Motor segments and management expenses primarily provision for impairment on reinsurance receivables.

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 12 months ended											
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue												
External	735	1,531	11,030	9,591	61,021	76,357	377,747	413,322	-	-	450,533	500,801
Inter-segment	40,587	21,096	-	-	6,046	24,018	6,989	5,712	(53,622)	(50,826)	-	-
	41,322	22,627	11,030	9,591	67,068	100,375	384,736	419,034	(53,622)	(50,826)	450,533	500,801
Segment profit	24,315	3,631	16,199	13,207	12,047	38,632	31,861	37,241	(49,739)	(31,062)	34,682	61,648

Group/Consolidated

The Group's operating revenue decreased by RM50.3 million to RM450.5 million from RM500.8 million in 2019, a decrease of 10.0% as compared to last year. The decrease in revenue was resulted from lower gross earned premium attributed by both Travel and Non-Travel segments owing Covid-19 effect and extension of Movement Control Order ("MCO") effect.

Profit before tax of the Group dropped by 43.7% or RM26.9 million to RM34.7 million from RM61.6 million in 2019. The significant decrease was attributed by higher underwriting loss due to significant drop in net earned premium from both Travel and Non-Travel segments in tandem with lower gross earned premium owing to Covid-19 effect and extension of Movement Control Order ("MCO") effect.

General reinsurance

Operating revenue of this segment dropped by RM33.3 million to RM67.1 million from RM100.4 million in 2019, a decrease of 33.2% as compared to last year. The decrease in revenue was mainly attributed by overall lower take up observed for our Travel PA in domestic and other international markets despite strong take up and Covid-19 product in the Middle East market.

Profit before tax of this segment dropped by RM26.6 million to RM12.0 million in 2019 from RM38.6 million in 2019. The significant decrease was attributed by lower underwriting results due to the drop in net earned premium and higher management expenses as a result of provision for impairment on insurance/ reinsurance receivables.

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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 RM34.3 million to RM384.7 million from RM419.0 million in 2019, a decrease of 8.2% as compared to last year. The decrease in revenue was largely attributed by lower gross earned premium from both Motor and Non-Motor segments owing to Covid-19 effect and extension of Movement Control Order ("MCO") effect.

Profit before tax of this segment dropped by RM5.4 million to RM31.9 million from RM37.2 million in 2019. The significant decrease was attributed by lower underwriting results due the drop in net earned premium and fair value loss on investments.

17.3 Current quarter ("4Q20") against preceding quarter in current year ("3Q20")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	Current quarter 3 months ended											
	30 Dec 2020	30 Sept 2020	30 Dec 2020	30 Sept 2020	30 Dec 2020	30 Sept 2020	30 Dec 2020	30 Sept 2020	30 Dec 2020	30 Sept 2020	30 Dec 2020	30 Sept 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
Operating revenue												
External	293	41	2,361	2,786	27,522	11,623	87,057	95,554	-	-	117,232	110,003
Inter-segment	-	15,161	-	-	665	1,241	642	2,206	(1,307)	(18,608)	-	0
	293	15,202	2,361	2,786	28,187	12,863	87,699	97,760	(1,307)	(19,915)	117,232	110,003
Segment (loss)/profit	(3,876)	10,507	717	4,837	(272)	2,678	3,317	8,576	3,211	(19,193)	3,097	7,405

Group/Consolidated

The Group's operating revenue in 4Q20 increased by RM7.2 million to RM117.2 million from RM110.0 million in 3Q20, an increase of 6.6% as compared to the last quarter. The increase in revenue was mainly contributed by higher gross earned premium arising from a continuous strong take up observed for our Travel PA and Covid-19 product in the Middle East market.

Profit before tax of the Group dropped by RM4.3 million to RM3.1 million in 4Q20 from RM7.4 million in the last quarter. The decrease was largely attributed by higher management expenses as a result of provision for impairment on insurance/ reinsurance receivables.

General reinsurance

Operating revenue of this segment in 4Q20 grew by RM15.3 million to RM28.2 million from RM12.9 million in 3Q20. The significant increase in revenue was mainly contributed by continuous strong take up observed for our Travel PA and Covid-19 product in the Middle East market.

Profit before tax of this segment Group dropped by RM3.0 million to RM0.3 million loss in 4Q20 from RM2.7 million in the last quarter. The decrease was attributed by lower underwriting results due to higher management expenses as a result of provision for impairment on insurance/ reinsurance receivables and facilitator fee expense.

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17. Performance review (cont'd.)

17.3 Current quarter ("4Q20") against preceding quarter in current year ("3Q20") (cont'd.)

General insurance

Operating revenue of this segment in 4Q20 decreased by RM10.1 million to RM87.7 million from RM97.1 million in 3Q20, a decrease of 10.3% as compared to the last quarter. The decrease in revenue was resulted from lower gross earned premium by RM6.3 million to RM83.8 million as compared to RM90.1 million in the last quarter, largely attributed by both Motor and Non-Motor segments. The decrease in revenue was also attributed to lower investment income received, which registered a decrease of RM3.7 million to RM3.9 million compared to RM7.7 million in the last quarter.

Profit before tax of this segment dropped by RM5.3 million to RM3.3 million in 4Q20 from RM8.6 million in the last quarter. The significant decrease was attributed by lower underwriting results due higher management expenses as a result of provision for impairment on insurance/ reinsurance receivables in addition to lower investment income received.

18. Commentary on prospects

The outbreak of Covid-19 has disrupted the global economies for the most part of Year 2020. Despite the introduction of Covid-19 vaccines in the recent quarter, the Group remains cautious on the outlook of the economies. The lengthy process in rolling out Covid-19 vaccines globally is expected to prolong the recovery of the global economies.

Despite of the current Covid-19 disruption, the Group continues to record a strong recovery in 4Q2020 with 22% quarter-on-quarter improvement in Net Earned Premium as compared to 3Q2020. This was achieved through a strong take up in the Travel business, especially in the Middle East market, where the Group recorded 110% quarter-on-quarter improvement in Gross Written Premium compared to 3Q2020. The Group continues to observe strong demand in the Travel business, especially from the Middle East market.

The Movement Control Order imposed by the Malaysian government recently is also expected to contribute positively to the Net Claims Incurred ratio of the Group, with some potential adverse impact to the Net Earned Premium, as evidenced in Year 2020.

In coming quarters, the Group will continue its efforts to further diversify existing business portfolio, focusing on three main pillars namely, Health, Lifestyle and Small Medium Enterprises. The new products line up in coming quarters under these three main pillars and recent affinity partnership additions in the region, are expected to contribute positively to the business of the Group.

Nevertheless, the Group remains cautious of the future outlook under evolving conditions and developments surrounding the pandemic. The Group is confident that with a strong capital position, it remains resilient to weather through potential negative implications from the pandemic over the medium to longer term.

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19. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial period ended 31 December 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. For the period ended 31 December 2020, the Company had not purchased any issued shares of the Company.

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 had received a notice from the Malaysia Competition Commission ("MyCC") concerning a proposed decision which found that TIMB and 21 other general insurance companies in Malaysia (who are all members of the General Insurance Association of Malaysia ("PIAM")) had 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 the cap on the parts trade discount rates and minimum agreed labour rates payable by the insurers to the PIAM Approved Repairer's Scheme workshops. These rates were subsequently approved and adopted by PIAM members including TIMB.

Subsequent to MyCC's issuance of its proposed decision, PIAM and its 22 members including TIMB were given the opportunity to make written representations in their defence and TIMB had on 25 April 2017 afiled in its written representations with MyCC. TIMB's oral representations were presented before the MyCC on 29 January 2018.

A fresh hearing was held following the appointment of a new Chairman of MyCC with the last of the parties' submission having been made on 18 June 2019.

Subsequently, TIMB had received a notice dated 25 September 2020 from MyCC informing TIMB of its decision dated 14 September 2020 wherein they have found that TIMB and 21 other members of PIAM had infringed Section 4 of the CA ("Decision").

The MyCC in its Decision had 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 22 members of PIAM. The MyCC had also granted the parties a moratorium period of six (6) months up to 24 March 2021 to pay the financial penalty imposed. The MyCC had also allowed the parties, including TIMB, to pay the financial penalty imposed by way of up to six (6) equal monthly instalments.

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21. Material litigation (cont'd.)

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

The MyCC had 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 in consultation with their legal counsel is of the view that TIMB has not infringed Section 4 of the CA. TIMB had accordingly filed its: (a) Notice of Appeal with the CAT pursuant to Section 51 of the CA; and (b) application for a stay of the financial penalty with the CAT pursuant to Section 53 of the CA on 13 October 2020 and 14 October 2020 respectively.

TIMB's application for a stay of the financial penalty will be heard before CAT on 25 February 2021 and the case management for the appeal proper is fixed on 26 February 2021.

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

On 20 December 2018, TIMB received Notice of Additional Assessment (Form JA) from the Lembaga Hasil Dalam Negeri ("LHDN") in respect of Years of Assessment ("YA") 2013 to 2015, wherein a sum of RM11.1 million of additional taxes and penalties was sought by the LHDN.

TIMB is of the view given legal advice received that out of the RM11.1 million of additional taxes and penalties levied by the LHDN, RM10.7 million, being the disputed additional tax and penalties, is open to challenge and has hence, engaged tax solicitors to assist in challenging the said disputed additional tax and penalties imposed by the LHDN.

On 11 January 2019, TIMB filed an Affidavit to the High Court of Malaya ("High Court") to apply for a judicial review against LHDN's assessments. On 23 May 2019, the High Court granted TIMB's application for judicial review with cost of RM5,000. The High Court ordered for the Notice of Assessment from LHDN be amended to allow the deduction of PRAD expenses and dismissed the penalty imposed in relation to this issue. The High Court also 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:

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21. Material litigation (cont'd.)

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

- (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.

(c) On-going litigation with a foreign reinsurer ("the Reinsurer")

TIMB is the reinsured under a Reinsurance Contract for an Extended Warranty Programme ("EWP") for various models of vehicles. The Reinsurer had failed to remit their share of payment for claims paid by TIMB under the EWP. Accordingly, TIMB ("Plaintiff") has commenced legal action to recover certain amounts owed by the Reinsurer ("Defendant") under the Reinsurance Contract through its appointed solicitors. As at 31 December 2020, the net amount owed by the Reinsurer amounted to RM13,706,000 of which 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 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 3 May 2021.

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

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24. Risks and policies for derivatives

The Group did not enter into any derivative transactions during the period ended 31 December 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 31 December 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.