



Tune Protect Group Berhad

Registration No. 201101020320 (948454-K)

Interim Financial Statements

For the Quarter and Three Months Ended 31 March 2021

Tune Protect Group Berhad
Registration No. 201101020320 (948454-K)

Condensed consolidated statement of financial position
As at 31 March 2021

	As at 31 Mar 2021 Unaudited RM'000	As at 31 Dec 2020 Audited RM'000
Assets		
Property and equipment	3,654	3,903
Intangible assets	5,605	5,921
Right-of-use assets	5,443	5,951
Investment in an associate	61,937	61,600
Investment in a joint venture company	7,692	7,443
Goodwill	24,165	24,165
Investments	788,250	823,588
Deferred tax assets	1,444	1,472
Reinsurance assets	616,138	625,420
Insurance receivables	133,024	104,659
Other receivables	86,272	81,137
Cash and bank balances	4,297	6,442
Total assets	1,737,921	1,751,701
Equity		
Share capital	248,519	248,519
Employee share option reserves	2,891	2,859
Foreign currency translation reserve	10,699	9,914
Other comprehensive income ("OCI") reserve	(87)	(87)
Other reserve	195	195
Retained earnings	298,180	313,629
Equity attributable to owners of the parent	560,397	575,029
Non-controlling interests	140,920	146,004
Total equity	701,317	721,033
Liabilities		
Insurance contract liabilities	896,264	902,065
Lease liabilities	5,625	6,105
Deferred tax liabilities	68	135
Insurance payables	83,319	73,824
Other payables	51,328	48,539
Total liabilities	1,036,604	1,030,668
Total equity and liabilities	1,737,921	1,751,701
Net assets per ordinary share attributable to owners of the parent (RM)	0.75	0.77

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

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Condensed consolidated statement of comprehensive income
For the period ended 31 March 2021

	Note	Current quarter	
		3 months ended	
		31 Mar 2021	31 Mar 2020
		RM'000	RM'000
Operating revenue		117,449	122,356
Gross earned premiums		112,754	115,042
Premiums ceded to reinsurers		(56,378)	(56,670)
Net earned premiums		56,376	58,372
Investment income	7	4,695	7,314
Realised gains and losses		3,308	689
Fair value (losses)/gains		(28,559)	(6,419)
Fees and commission income		5,793	10,292
Other operating income		228	2,353
Other revenue		(14,535)	14,229
Gross claims paid		(44,987)	(37,836)
Claims ceded to reinsurers		30,595	21,822
Gross change to contract liabilities		3,473	(16,934)
Change in contract liabilities ceded to reinsurers		(3,177)	10,079
Net claims		(14,096)	(22,869)
Fees and commission expenses		(17,862)	(18,250)
Management expenses		(29,388)	(24,798)
Other operating expenses		(10)	(1,197)
Finance costs		(84)	(54)
Other expenses		(47,344)	(44,299)
Share of results of an associate		(199)	(1,950)
Share of results of a joint venture company		-	94
(Loss)/Profit before taxation	8	(19,798)	3,577
Taxation	9	(735)	(805)
Net (loss)/profit for the period		(20,533)	2,772

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Condensed consolidated statement of comprehensive income (cont'd.)
For the period ended 31 March 2021

		Current quarter	
		3 months ended	
		31 Mar	31 Mar
		2021	2020
Note		RM'000	RM'000
Other comprehensive income/(loss):			
<u>Items that will not be subsequently reclassified to profit or loss</u>			
	Effect of post-acquisition foreign exchange translation reserve on investment in an associate and a joint venture company	785	(1,595)
	Other comprehensive income/(loss) for the period	785	(1,595)
	Total comprehensive (loss)/income for the period	(19,748)	1,177
(Loss)/Profit attributable to:			
	Owners of the parent	(15,449)	2,500
	Non-controlling interests	(5,084)	272
		(20,533)	2,772
Total comprehensive (loss)/income attributable to:			
	Owners of the parent	(14,664)	905
	Non-controlling interests	(5,084)	272
		(19,748)	1,177
Basic and diluted earnings per share attributable to owners of the parent (sen per share)			
		(2.06)	0.33
		10	

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

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Condensed consolidated statement of changes in equity

For the period ended 31 March 2021

	Attributable to the owners of the parent								Total equity RM'000
	Non-distributable					Distributable		Non-controlling interests RM'000	
	Share capital RM'000	Other OCI reserve RM'000	Other reserve RM'000	Employee share option reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000		
At 1 January 2021	248,519	(87)	195	2,859	9,914	313,629	575,029	146,004	721,033
Net loss for the period	-	-	-	-	-	(15,449)	(15,449)	(5,084)	(20,533)
Other comprehensive profit for the period	-	-	-	-	785	-	785	-	785
Total comprehensive income/(loss) for the period	-	-	-	-	785	(15,449)	(14,664)	(5,084)	(19,748)
Grant of equity-settled share options to employees	-	-	-	32	-	-	32	-	32
At 31 March 2021	248,519	(87)	195	2,891	10,699	298,180	560,397	140,920	701,317
At 1 January 2020	248,519	499	55	3,477	11,209	295,238	558,997	139,038	698,035
Net profit for the period	-	-	-	-	-	2,500	2,500	272	2,772
Other comprehensive loss for the period	-	-	-	-	(1,595)	-	(1,595)	-	(1,595)
Total comprehensive (loss)/income for the period	-	-	-	-	(1,595)	2,500	905	272	1,177
Grant of equity-settled share options to employees	-	-	-	(42)	-	-	(42)	-	(42)
At 31 March 2020	248,519	499	55	3,435	9,614	297,738	559,860	139,310	699,170

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

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Condensed consolidated statement of cash flows
For the period ended 31 March 2021

	Current quarter	
	3 months ended	
	31 Mar 2021	31 Mar 2020
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(19,798)	3,577
Adjustments for:		
Non-cash items	2,364	219
Investment related income	20,556	272
Operating profit before working capital changes	3,122	4,068
Net change in operating assets	(32,824)	(46,965)
Net change in operating liabilities	15,778	75,180
Cash (used in)/generated from operating activities	(13,924)	32,283
Net interest received	2,472	827
Net dividend received	2,402	4,510
Income tax paid	(1,367)	(478)
Net cash (used in)/generated from operating activities	(10,417)	37,142
Cash flows from investing activities		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(501,060)	(61,046)
Proceeds from disposal of FVTPL financial assets	530,459	45,434
Decrease/(Increase) in loans and receivables	1,538	(521)
Proceeds from disposal of property and equipment	-	2
Purchase of property and equipment	(93)	(149)
Purchase of intangible assets	(205)	(859)
Net cash generated from/(used in) investing activities	30,639	(17,139)
Cash flows from financing activity		
Repayment of lease liabilities	(674)	(544)
Dividends paid to non-controlling interests	(642)	-
Net cash used in financing activities	(1,316)	(544)
Net increase in cash and cash equivalents	18,906	19,459
Effect of exchange rate changes on cash and cash equivalents	58	86
Cash and cash equivalents at beginning of period	34,170	39,414
Cash and cash equivalents at end of period	53,134	58,959
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	48,837	45,431
Cash and bank balances	4,297	13,528
	53,134	58,959

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

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Explanatory Notes Pursuant to MFRS 134
For the period ended 31 March 2021

1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2021, have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting*, the International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and the requirements of the Companies Act 2016 in Malaysia, where applicable. These condensed consolidated interim financial statements has also been prepared in accordance with Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2020.

The explanatory notes attached to this 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 2020.

2. Changes in accounting policies

2.1 Adoption of Amendments to MFRSs

The accounting policies adopted are consistent with those of the previous financial year, except for the following which were adopted at the beginning of this quarter:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *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 Standards and Amendments to Standards issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of these condensed consolidated interim financial statements. The Group intends to adopt these Standards and Amendments to Standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment</i> <i>Property, Plant and Equipment—Proceeds before Intended Use</i>	1 January 2022

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

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract)</i>	1 January 2022
Amendments to MFRS 3 <i>Business Combinations Reference to Conceptual Framework</i>	1 January 2022
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 10 <i>Consolidated Financial Statements</i> and MFRS 128 <i>Investment in Associates and Joint Ventures</i>	To be announced by MASB

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements of the Group in the period of initial application except for that 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:

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

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Explanatory Notes Pursuant to MFRS 134
For the period ended 31 March 2021

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

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

MFRS 17 *Insurance Contracts* (cont'd.)

Based on the Amendments to MFRS 17, the standard is effective is effective for reporting periods beginning on or after 1 January 2023, with the option to apply a full retrospective, modified retrospective or fair value approach on transition. Early application is permitted, as the Group has applied MFRS 9 and MFRS 15 before the date it first applies MFRS 17.

The Group has completed the assessment of the operational impacts of adopting MFRS 17 and are in the midst of implementing the relevant systems solution, architecture and processes in the upcoming financial years.

3. Change in estimates

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

4. Changes in composition of the Group

There were no changes in composition of the Group during the period ended 31 March 2021.

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For the period ended 31 March 2021

5. Segment information

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

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

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue												
External	69	301	2,161	2,994	33,441	17,800	81,778	101,261	-	-	117,449	122,356
Inter-segment	-	-	-	-	253	3,562	724	2,091	(977)	(5,653)	-	-
	<u>69¹</u>	<u>301</u>	<u>2,161</u>	<u>2,994</u>	<u>33,694²</u>	<u>21,362</u>	<u>82,502³</u>	<u>103,352</u>	<u>(977)</u>	<u>(16,616)</u>	<u>117,449⁴</u>	<u>122,356</u>
Segment (loss)/profit	<u>(5,755)</u>	<u>(3,799)</u>	<u>(6,386)</u>	<u>621</u>	<u>1,017</u>	<u>8,000</u>	<u>(11,353)</u>	<u>1,155</u>	<u>2,679</u>	<u>(2,400)</u>	<u>(19,798)</u>	<u>3,577</u>
Segment assets	<u>299,363</u>	<u>280,140</u>	<u>185,674</u>	<u>267,128</u>	<u>186,083</u>	<u>187,698</u>	<u>1,299,559</u>	<u>1,273,360</u>	<u>(232,758)</u>	<u>(325,397)</u>	<u>1,737,921</u>	<u>1,682,929</u>
Segment liabilities	<u>7,882</u>	<u>7,614</u>	<u>73</u>	<u>77</u>	<u>39,424</u>	<u>20,520</u>	<u>996,723</u>	<u>966,766</u>	<u>(7,498)</u>	<u>(11,218)</u>	<u>1,036,604</u>	<u>983,759</u>

¹ includes investment income of RM0.069 million

² includes investment income of RM1.312 million

³ includes investment income of RM1.877 million

⁴ includes investment income of RM4.695 million

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6. Seasonality of operations

The Group is subject to seasonal fluctuations in the general reinsurance business. Within an annual cycle, quarter 4 should typically be the best for TPG travel business as this will coincide with peak holiday demand as well as benefit from additions to the airlines fleet occurring during the year.

7. Investment income

	Current quarter	
	3 months ended	
	31 Mar	31 Mar
	2021	2020
	RM'000	RM'000
Interest income:		
- Amortised costs financial assets	-	265
- FVTPL financial assets	2,161	3,110
- bank balances	11	9
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	(781)	(580)
Dividend income:		
- FVTPL financial assets	3,304	4,510
	<u>4,695</u>	<u>7,314</u>

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

	Current quarter	
	3 months ended	
	31 Mar	31 Mar
	2021	2020
	RM'000	RM'000
Depreciation of property and equipment	331	419
Depreciation of right-of-use assets	602	509
Amortisation of intangible assets	521	338
Allowance for/(write-back of) impairment losses on insurance receivables	828	(864)
Realised gains on disposal of:		
- property and equipment	-	(1)
- financial assets at FVTPL	(3,308)	(688)
Net realised gains	(3,308)	(689)
Fair value losses on financial assets at FVTPL	28,559	6,419
Interest expense on lease liabilities	84	54
Gains on foreign exchange - realised	(10)	(142)
Gains on foreign exchange - unrealised	(425)	(212)

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For the period ended 31 March 2021

9. Taxation

	Current quarter	
	3 months ended	
	31 Mar	31 Mar
	2021	2020
	RM'000	RM'000
Income tax	735	824
Deferred tax	-	(19)
	<u>735</u>	<u>805</u>
Effective tax rate	<u>-4%</u>	<u>23%</u>

The Group's negative effective tax rate is due to the loss before tax in 1Q21 was mainly attributed by the fair value losses on investments in 1Q21.

10. 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.

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

	Current quarter	
	3 months ended	
	31 Mar	31 Mar
	2021	2020
	RM'000	RM'000
(Loss)/Profit net of tax attributable to owners of the parent (RM'000)	(15,449)	2,500
Number of ordinary shares in issue ('000)	751,760	751,760
Basic and diluted earnings per share (sen per share)	<u>(2.06)</u>	<u>0.33</u>

11. Share capital

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

12. Dividends

No interim dividend has been declared for the financial period ended 31 March 2021.

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Explanatory Notes Pursuant to MFRS 134
For the period ended 31 March 2021

13. 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	<-- Valuation technique using -->			Total RM'000
		Quoted market price (Level 1) RM'000	Ob-servable inputs (Level 2) RM'000	Unob-servable inputs (Level 3) RM'000	
Assets measured at fair value:					
31 March 2021					
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 March 2021	-	10,281	-	10,281
Quoted unit trust funds in Malaysia	31 March 2021	721,353	-	-	721,353
		<u>721,353</u>	<u>10,281</u>	<u>-</u>	<u>731,634</u>

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13. Fair value measurement (cont'd.)

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

	Date of valuation	Quoted market price (Level 1) RM'000	Ob-servable inputs (Level 2) RM'000	Unob-servable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value: (cont'd.)					
31 December 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>

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 is determined by reference to published net asset values.

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14. Capital commitments

	<u>As at</u> <u>31 Mar</u> <u>2021</u> <u>RM'000</u>	<u>As at</u> <u>31 Dec</u> <u>2020</u> <u>RM'000</u>
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	46,656	52,344
Property and equipment	2,342	4,840
	<u>48,998</u>	<u>57,184</u>

15. 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.

16. 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
Thai AirAsia Co. Ltd ("TAA")	Person connected to AAB
Tune Group Sdn. Bhd. ("TGSB")	Major shareholder of the Company
Tune Protect Commercial Brokerage LLC	
(" Update to the Malaysian Competition Commission ("MyCC")'s Proposed Decision against PIAM and its 22 members (cont'd.)	

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Explanatory Notes Pursuant to MFRS 134
For the period ended 31 March 2021

16. Related party transactions (cont'd.)

	Current quarter	
	3 months ended	
Income/(expenses):	31 Mar	31 Mar
	2021	2020
	RM'000	RM'000
AAB		
Gross written premium	903	5,004
Fee and commission expenses	(226)	(1,251)
Data management fee	(2)	(4)
AAX		
Gross written premium	-	1,059
Fee and commission expenses	-	(265)
PTAA		
Gross written premium	74	384
Fee and commission expenses	-	(96)
Telemarketing commission expenses	-	(1)
TAA		
Gross written premium	-	94
Fee and commission expenses	-	(24)
Telemarketing commission expenses	(2)	(3)
TGSB		
Royalty fee	(1,311)	(1,366)
Rental and utilities charges	(379)	(370)
SP&G		
Brokerage fee	(552)	(237)
Big Life Sdn Bhd		
Purchase of loyalty points	(4)	-
TPCBLLC		
Facilitator fees	(4,586)	(1,630)

The related party transactions described above were carried out on terms and conditions similar to transactions with unrelated parties unless otherwise stated.

17. Events after the reporting period

There were no significant events after the reporting period.

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**Explanatory Notes Pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B,
Part A**
For the period ended 31 March 2021

18. Performance review

18.1 Current quarter ("1Q21") against corresponding quarter in prior year ("1Q20")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Current quarter 3 months ended											
Operating revenue												
External	69	301	2,161	2,994	33,441	17,800	81,778	101,261	-	-	117,449	122,356
Inter-segment	-	-	-	-	253	3,562	724	2,091	(977)	(5,653)	-	-
	69	301	2,161	2,994	33,694	21,362	82,502	103,352	(977)	(5,653)	117,449	122,356
Segment (loss)/profit	(5,755)	(3,799)	(6,386)	621	1,017	8,000	(11,353)	1,155	2,679	(2,400)	(19,798)	3,577

Group/Consolidated

The Group's operating revenue in 1Q21 decreased from RM122.3 million in 1Q20 to RM117.4 million in 1Q21, a decrease of RM4.9 million or 4.0% as compared to the corresponding quarter last year. The decrease in operating revenue was resulted from lower gross earned premiums by RM2.3 million and lower investment income by RM2.6 million.

Profit before tax of the Group dropped by RM23.4 million to from RM3.6 million profit in 1Q20 to RM19.8 million loss in 1Q21. The significant decrease in profit before tax was largely attributed by the fair value losses on investments recorded in 1Q21.

General reinsurance

Operating revenue of this segment in 1Q21 grew by RM12.3 million from RM21.4 million in 1Q20 to RM33.7 million in 1Q21. 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 decreased by RM7.0 million or 87.3% from RM8.0 million in 1Q20 to RM1.0 million in 1Q21, mainly due to fair value losses on investments in 1Q21.

General insurance

Operating revenue of this segment in 1Q21 decreased by RM20.8 million to RM82.5 million from RM103.3 million in 1Q20, a decrease of 20.1% as compared to the corresponding quarter last year. The decrease in revenue was resulted from lower gross earned premiums by RM17.8 million to RM80.6 million in 1Q21 as compared to RM98.4 million in the corresponding quarter last year, largely attributed by both Motor and Travel PA segment. The decrease in revenue was also attributed to lower investment income, which registered a decrease of RM3.0 million to RM1.9 million compared to RM4.9 million in the corresponding quarter last year.

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18. Performance review (cont'd.)

18.1 Current quarter ("1Q21") against corresponding quarter in prior year ("1Q20") (cont'd.)

General insurance (cont'd.)

Profit before tax of this segment dropped by RM12.5 million to a loss of RM11.3 million in 1Q21 from profit RM1.2 million in the corresponding quarter in 2020. The significant decrease was mainly attributed by increase of RM10.4 million in fair value losses on investments and decrease of RM3.0 million in investment income in 1Q21.

18.2 Current quarter ("1Q21") against preceding quarter in prior year ("4Q20")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 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											
Operating revenue												
External	69	293	2,161	2,361	33,441	27,522	81,778	87,057	-	-	117,449	117,233
Inter-segment	-	-	-	-	253	665	724	642	(977)	(1,307)	-	-
	69	293	2,161	2,361	33,694	28,187	82,502	87,699	(977)	(1,307)	117,449	117,233
Segment (loss)/profit	(5,755)	(3,876)	(6,386)	717	1,017	(272)	(11,353)	3,317	2,679	3,211	(19,798)	3,097

Group/Consolidated

The Group's operating revenue increased by RM0.2 million to RM117.4 million in 1Q21 from RM117.2 million in 4Q20. The increase in operating revenue was resulted from increase of RM2.3 million in gross earned premium mitigated by decrease of RM2.1 million in investment income.

Profit before tax of the Group dropped by RM22.9 million from RM3.1 million profit in 4Q20 to RM19.8 million loss in 1Q21. The significant decrease was attributed by lower investment income and higher fair value losses on investments.

General reinsurance

Operating revenue of this segment in 1Q21 grew by RM5.5 million to RM33.7 million from RM28.2 million in 4Q20. The increase in operating revenue was mainly contributed by continuous strong take up observed for our Travel PA and Covid-19 products in the Middle East market.

Profit before tax of this segment increased by RM1.3 million to RM1.0 million profit in 1Q21 from RM0.3 million loss in last quarter. The increase in profit before tax was mainly attributed by increase of RM5.5 million in underwriting results due to lower management expenses as a result of lower provision for impairment on insurance receivables and facilitator fee expense. The increase was then offset by a decrease of RM4.6 million in realised and unrealised investment income.

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18. Performance review (cont'd.)

18.2 Current quarter ("1Q21") against preceding quarter in prior year ("4Q20") (cont'd.)

General insurance

Operating revenue of this segment in 1Q21 decreased by RM5.2 million to RM82.5 million in 1Q21 from RM87.7 million in 4Q20, a decrease of 5.9% as compared to the last quarter. The decrease in operating revenue was resulted from lower gross earned premiums by RM3.1 million to RM80.6 million in 1Q21 from RM83.7 million in the last quarter, largely attributed by both Motor and Non-Motor segments. The decrease in operating revenue was also attributed by lower investment income, which registered a decrease of RM2.1 million to RM1.9 million in 1Q21 compared to RM3.9 million in the last quarter.

Profit before tax of this segment dropped by RM14.7 million to loss of RM11.3 million in 1Q21 from profit of RM3.3 million in the last quarter. The significant decrease was attributed by the drop in both realised and unrealised investment income.

19. Commentary on prospects

Malaysia's vaccination programme, which commenced on 24 February 2021, is a positive step towards returning the country's economy to normalcy. Likewise, other ASEAN countries such as Singapore, Indonesia, Thailand, and Vietnam have also initiated their respective COVID-19 vaccination programmes. Looking ahead, the mass roll-out of the COVID-19 vaccines is expected to bring confidence back to the travel and tourism industry. The Middle East region was one of the earliest to reopen its borders in 2020. Dubai, for instance, began welcoming back international visitors as early as 7 July 2020. This was emulated by other Middle East countries such as Lebanon, Egypt and Kuwait as they began to ease travel restrictions. With frequent dialogues between nations as well as air carriers to harmonise new normal travel standards and entry requirements, the Group expect a rebound in international travel in the region starting especially within the confines of established travel bubbles or 'green' lanes.

During the quarter, the Group continue to experience favourable claim experience especially in the Motor segment. The Group expect this trend to continue in the coming quarters. In addition, the Group will also continue its efforts to pivot the business beyond travel insurance, by focusing on three main pillars namely, Health, Lifestyle and Small Medium Enterprise ("SME").

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19. Commentary on prospects (cont'd.)

A heightened awareness of health has led to an interest in health and wellness protection in Malaysia, which was seen to be a huge potential in healthcare demand. The Group is targeting to offer bite-sized products to enable customers to buy what they need, when they need it. The Group is also forging new collaborations with strategic partners and Business-to-Business platform to widen the distribution of its lifestyle products, specifically tapping into coverage for the products that millennials and zillennials are interested in such as smartphones and e-wallets. The SME sector is the backbone of many economies across ASEAN. The Group is looking at ways to not only provide SMEs with the right insurance solutions that meet their affordability and business type, but also to work alongside with partners to assist SMEs to thrive in this new normal, emphasising a digital approach in upscaling their business and processes.

The new products line up in coming quarters under these three main pillars and the new collaborations with strategic partners and Business-to-Business platforms to widen the distribution of products, are expected to contribute positively to the business of the Group.

While the Group realise that there are still underlying risks and uncertainties 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.

20. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the financial period ended 31 March 2021.

21. Status of corporate proposal

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

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22. 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 decision ("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 5 April 2017 filed in its written representations with MyCC. TIMB's oral representations were presented before 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 RM2,571,078 only on the part of TIMB and a consolidated amount of RM130,241,475 on all 22 members of PIAM, net of a 25% reduction granted on the final penalties after taking into consideration the economic impact arising from the Covid-19 pandemic. 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.

The MyCC had also directed TIMB to cease implementing the agreed parts trade discount and the hourly labour rate previously agreed upon with the workshops with immediate effect ("Cease and Desist Order"). All future parts trade discount rate and future hourly labour rates with the workshops would be negotiated independently.

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22. Material litigation (cont'd.)

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

TIMB in consultation with their legal counsel, is of the view that TIMB has not infringed Section 4 of the CA and has taken all necessary and appropriate actions to defend its position. Accordingly, TIMB has not made any provision, and has continued to disclose the matter as an on-going litigation until further development.

TIMB had filed its Notice of Appeal with the Competition Appeal Tribunal ("CAT") pursuant to Section 51 of the CA and had filed an 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.

On 23 March 2021, the CAT has allowed TIMB's application for a stay of the financial penalty. The CAT has also stayed the Cease and Desist Order.

The case management for the appeal proper has been fixed on 4 June 2021, and the appeal proper is fixed for hearing on 12, 15, 16, 19 and 26 November 2021.

As at the date of the interim financial statements, there have been no further developments on this matter.

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

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

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

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

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22. Material litigation (cont'd.)

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

On 11 June 2019, LHDN file 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 Years of Assessment 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.

With this, the total amount currently on appeal before the SCIT is RM3.5 million. The hearing of TIMB's appeal before the SCIT which was fixed for hearing on 4 to 5 May 2021 was postponed and is now fixed for mention on 5 August 2021.

TIMB had not recognised any liability in respect of the disputed additional tax and penalties, 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 has commenced legal action to recover certain amounts owed by the Reinsurer under the Reinsurance Contract through its appointed solicitors.

On 29 January 2019, a writ of summons was filed with the 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 Reinsurer however proceeded to dispute this amount subsequently in June 2020.

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22. Material litigation (cont'd.)

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

As at 31 March 2021, the net amount owed by the Reinsurer increased to RM10.8 million, with an additional Reinsurance Assets exposure of RM3.4 million. Full impairment has been provided for both of these balances.

The Court has fixed the matter for case management on 1 June 2021 and trial on 27 to 28 October 2021 and 1 to 3 November 2021.

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

23. Disclosure of nature of outstanding derivatives

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

24. Rationale for entering into derivatives

The Group did not enter into any derivative transactions during the period ended 31 March 2021 or the previous year ended 31 December 2020.

25. Risks and policies for derivatives

The Group did not enter into any derivative transactions during the period ended 31 March 2021 or the previous year ended 31 December 2020.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 March 2021 and 31 December 2020.

27. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2020 was not qualified.