



Tune Protect Group Berhad

Registration No. 201101020320 (948454-K)

Interim Financial Statements

For the Quarter and Six Months Ended 30 June 2021

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

Condensed consolidated statement of financial position
As at 30 June 2021

	As at 30 Jun 2021 Unaudited RM'000	As at 31 Dec 2020 Audited RM'000
Assets		
Property and equipment	4,159	3,903
Intangible assets	9,757	5,921
Right-of-use assets	5,164	5,951
Investment in an associate	59,738	61,600
Investment in a joint venture company	7,703	7,443
Goodwill	24,165	24,165
Investments	795,386	823,588
Deferred tax assets	1,707	1,472
Reinsurance assets	644,530	625,420
Insurance receivables	170,495	104,659
Other receivables	79,745	81,137
Cash and bank balances	11,139	6,442
Total assets	1,813,688	1,751,701
Equity		
Share capital	248,519	248,519
Employee share option reserves	3,120	2,859
Foreign currency translation reserve	9,702	9,914
Other comprehensive income ("OCI") reserve	(87)	(87)
Other reserve	195	195
Retained earnings	312,429	313,629
Equity attributable to owners of the parent	573,878	575,029
Non-controlling interests	144,507	146,004
Total equity	718,385	721,033
Liabilities		
Insurance contract liabilities	914,222	902,065
Lease liabilities	5,370	6,105
Deferred tax liabilities	85	135
Insurance payables	125,833	73,824
Other payables	49,793	48,539
Total liabilities	1,095,303	1,030,668
Total equity and liabilities	1,813,688	1,751,701
Net assets per ordinary share attributable to owners of the parent (RM)	0.76	0.77

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

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

Condensed consolidated statement of comprehensive income
For the period ended 30 June 2021

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	110,690	100,942	228,139	223,298
Gross earned premiums	106,145	93,059	218,899	208,101
Premiums ceded to reinsurers	(62,910)	(57,610)	(119,288)	(114,280)
Net earned premiums	43,235	35,449	99,611	93,821
Investment income	7 4,545	7,883	9,240	15,197
Realised gains and losses	114	1,850	3,422	2,539
Fair value gains and losses	8,977	11,149	(19,582)	4,730
Fees and commission income	6,784	9,566	12,577	19,858
Other operating income	196	56	424	2,409
Other revenue	20,616	30,504	6,081	44,733
Gross claims paid	(47,277)	(35,882)	(92,264)	(73,718)
Claims ceded to reinsurers	33,375	21,648	63,970	43,470
Gross change to contract liabilities	6,818	(65,596)	10,291	(82,530)
Change in contract liabilities ceded to reinsurers	2,647	63,112	(530)	73,191
Net claims	(4,437)	(16,718)	(18,533)	(39,587)
Fee and commission expenses	(12,719)	(7,648)	(30,581)	(25,898)
Management expenses	(25,155)	(22,720)	(54,543)	(47,518)
Other operating expenses	-	987	(10)	(210)
Finance costs	(82)	(89)	(166)	(143)
Other expenses	(37,956)	(29,470)	(85,300)	(73,769)
Share of results of an associate	(1,190)	625	(1,389)	(1,325)
Share of results of a joint venture company	-	213	-	307
Profit before taxation	8 20,268	20,603	470	24,180
Taxation	9 (2,432)	(1,837)	(3,167)	(2,642)
Net profit/(loss) for the period	17,836	18,766	(2,697)	21,538

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Condensed consolidated statement of comprehensive income (cont'd.)
For the period ended 30 June 2021

	<u>Current quarter</u>		<u>Cumulative quarters</u>	
	<u>3 months ended</u>		<u>6 months ended</u>	
	<u>30 Jun</u>	<u>30 Jun</u>	<u>30 Jun</u>	<u>30 Jun</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive (loss)/income:				
<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	(997)	2,526	(212)	931
Other comprehensive (loss)/income for the period	(997)	2,526	(212)	931
Total comprehensive income/(loss) for the period	16,839	21,292	(2,909)	22,469
Profit/(loss) attributable to:				
Owners of the parent	14,249	12,597	(1,200)	15,097
Non-controlling interests	3,587	6,169	(1,497)	6,441
	17,836	18,766	(2,697)	21,538
Total comprehensive income/(loss) attributable to:				
Owners of the parent	13,252	15,123	(1,412)	16,028
Non-controlling interests	3,587	6,169	(1,497)	6,441
	16,839	21,292	(2,909)	22,469
Basic and diluted earnings per share attributable to owners of the parent (sen per share)				
10	1.90	1.68	(0.16)	2.01

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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Registration No. 201101020320 (948454-K)

Condensed consolidated statement of changes in equity

For the period ended 30 June 2021

	Attributable to the owners of the parent								
	← Non-distributable →					Distributable			
	Share capital	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
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	-	-	-	-	-	(1,200)	(1,200)	(1,497)	(2,697)
Other comprehensive loss for the period	-	-	-	-	(212)	-	(212)	-	(212)
Total comprehensive loss for the period	-	-	-	-	(212)	(1,200)	(1,412)	(1,497)	(2,909)
Grant of equity-settled share options to employees	-	-	-	261	-	-	261	-	261
At 30 June 2021	248,519	(87)	195	3,120	9,702	312,429	573,878	144,507	718,385
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	-	-	-	-	-	15,097	15,097	6,441	21,538
Other comprehensive profit for the period	-	-	-	-	931	-	931	-	931
Total comprehensive income for the period	-	-	-	-	931	15,097	16,028	6,441	22,469
Grant of equity-settled share options to employees	-	-	-	(351)	-	-	(351)	-	(351)
At 30 June 2020	248,519	499	55	3,126	12,140	310,335	574,674	145,479	720,153

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

Tune Protect Group Berhad
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Condensed consolidated statement of cash flows
For the period ended 30 June 2021

	Cumulative quarters	
	6 months ended	
	30 Jun 2021	30 Jun 2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	470	24,180
Adjustments for:		
Non-cash items	1,869	3,780
Investment related income/(losses)	6,929	(21,448)
Operating profit before working capital changes	9,268	6,512
Net change in operating assets	(80,836)	(132,564)
Net change in operating liabilities	64,193	139,299
Cash (used in)/generated from operating activities	(7,375)	13,247
Net interest received	3,503	1,375
Net dividend received	4,840	8,302
Income tax paid	(2,115)	(1,039)
Net cash (used in)/generated from operating activities	(1,147)	21,884
Cash flows from investing activities		
Purchases of fair value through profit or loss ("FVTPL") financial assets	(533,271)	(352,535)
Proceeds from disposal of FVTPL financial assets	544,653	335,038
Movement in amortised cost financial assets	1,916	(280)
Proceeds from disposal of property and equipment	3	2
Purchase of property and equipment	(1,029)	(513)
Purchase of intangible assets	(4,930)	(1,507)
Net cash generated from/(used in) investing activities	7,342	(19,795)
Cash flows from financing activities		
Payment of principal portion of lease liabilities	(1,117)	(1,149)
Dividends paid to non-controlling interests	(1,288)	-
Net cash used in financing activities	(2,405)	(1,149)
Net increase in cash and cash equivalents	3,790	940
Effect of exchange rate changes on cash and cash equivalents	126	(15)
Cash and cash equivalents at beginning of period	34,170	39,414
Cash and cash equivalents at end of period	38,086	40,340
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturities of less than three months) with licensed financial institutions	26,947	30,490
Cash and bank balances	11,139	9,850
	38,086	40,340

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

Tune Protect Group Berhad
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Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2021

1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 June 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 MFRSs, Amendments to MFRSs and IC Interpretations

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 - Phase 2*

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.

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Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2021

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
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
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 30 June 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 30 June 2021.

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Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 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	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	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
Operating revenue												
External	578	401	4,052	5,883	50,441	21,877	173,068	195,137	-	-	228,139	223,298
Inter-segment	11,685	25,427	-	-	1,012	4,140	1,407	4,140	(14,104)	(33,707)	-	-
	<u>12,263¹</u>	<u>25,828</u>	<u>4,052</u>	<u>5,883</u>	<u>51,453²</u>	<u>26,017</u>	<u>174,475³</u>	<u>199,277</u>	<u>(14,104)</u>	<u>(33,707)</u>	<u>228,139⁴</u>	<u>223,298</u>
Segment profit	<u>1,570</u>	<u>17,683</u>	<u>(3,494)</u>	<u>10,646</u>	<u>10,428</u>	<u>9,640</u>	<u>3,832</u>	<u>19,968</u>	<u>(11,866)</u>	<u>(33,757)</u>	<u>470</u>	<u>24,180</u>
Segment assets	<u>307,258</u>	<u>299,766</u>	<u>188,557</u>	<u>256,510</u>	<u>180,466</u>	<u>160,656</u>	<u>1,378,989</u>	<u>1,360,992</u>	<u>(241,582)</u>	<u>(306,699)</u>	<u>1,813,688</u>	<u>1,771,225</u>
Segment liabilities	<u>8,198</u>	<u>6,091</u>	<u>63</u>	<u>76</u>	<u>36,363</u>	<u>17,320</u>	<u>1,063,142</u>	<u>1,037,357</u>	<u>(12,463)</u>	<u>(9,772)</u>	<u>1,095,303</u>	<u>1,051,072</u>

¹ includes investment income of RM12.263 million

² includes investment income of RM2.441 million

³ includes investment income of RM3.576 million

⁴ includes investment income of RM9.240 million

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Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2021

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		Cumulative quarters 6 months ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Interest income:				
- Amortised costs financial assets	155	231	295	496
- FVTPL financial assets	2,007	3,006	4,284	6,115
- bank balances	1	21	12	30
Share of investment income from Malaysian Motor Insurance Pool ("MMIP")	(1,010)	864	(1,791)	283
Dividend income:				
- FVTPL financial assets	3,392	3,762	6,440	8,272
	<u>4,545</u>	<u>7,883</u>	<u>9,240</u>	<u>15,197</u>

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

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	431	370	762	789
Depreciation of right-of-use assets	602	539	1,204	1,048
Amortisation of intangible assets	571	332	1,092	670
(Write-back of)/Allowance for impairment losses on insurance receivables and reinsurance assets	(3,772)	2,947	(2,752)	2,082
Realised gains on disposal of:				
- property and equipment	(9)	-	(9)	(1)
- FVTPL financial assets	(105)	(1,850)	(3,413)	(2,538)
Net realised gains	(114)	(1,850)	(3,422)	(2,539)

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Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2021

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

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fair value (gains)/losses on FVTPL financial assets	(8,977)	(11,149)	19,582	(4,730)
Interest expense on lease liabilities	82	89	166	143
(Gains)/Losses on foreign exchange:				
- realised	(127)	(398)	(137)	(540)
- unrealised	306	(407)	(119)	(620)

9. Taxation

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income tax expense	2,718	634	3,453	1,458
Deferred tax (benefit)/expense	(286)	1,203	(286)	1,184
	2,432	1,837	3,167	2,642
Effective tax rate	12%	9%	674%	11%

The Group's effective tax rate is higher than the statutory tax rate due to the fair value losses on investments during the year.

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.

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Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2021

10. 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		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) net of tax attributable to owners of the parent (RM'000)	14,249	12,597	(1,200)	15,097
Number of ordinary shares in issue ('000)	751,760	751,760	751,760	751,760
Basic and diluted earnings per share (sen per share)	<u>1.90</u>	<u>1.68</u>	<u>(0.16)</u>	<u>2.01</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 30 June 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

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Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2021

13. Fair value measurement (cont'd.)

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:

		<- Valuation technique using ->			
		Quoted market price (Level 1) RM'000	Ob- servable inputs (Level 2) RM'000	Unob- servable inputs (Level 3) RM'000	Total RM'000
	Date of valuation				
Assets measured at fair value:					
30 June 2021					
Financial assets at FVTPL:					
Unquoted debt securities					
in Malaysia	30 June 2021	-	10,354	-	10,354
Quoted unit trust funds					
in Malaysia	30 June 2021	750,684	-	-	750,684
		<u>750,684</u>	<u>10,354</u>	<u>-</u>	<u>761,038</u>
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.

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Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2021

13. Fair value measurement (cont'd.)

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.

14. Capital commitments

	<u>As at</u> <u>30 June</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	42,151	52,344
Property and equipment	1,476	4,840
	<u>43,626</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.

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Explanatory Notes Pursuant to MFRS 134
For the period ended 30 June 2021

16. Related party transactions

The details of the related party transactions entered by the Group under the approved Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature are as follow:

Name of company	Relationship
AirAsia Berhad ("AAB")	Person connected to major shareholder of the Company, AirAsia Digital Sdn Bhd ("AAD")
AirAsia X Berhad ("AAX")	Person connected to major shareholder of the Company, AAD
PT Indonesia AirAsia ("PTAA")	Person connected to major shareholder of the Company, AAD
Thai AirAsia Co. Ltd ("TAA")	Person connected to major shareholder of the Company, AAD
Tune Group Sdn Bhd ("TGSB")	Major shareholder of the Company
SP&G Gallagher Insurance Brokers Sdn Bhd ("SP&G")	SP&G is a company 51% owned by Orion Asia Sdn Bhd which is 50% owned by Dato' Zakaria Bin Meranun, the brother of Datuk Kamarudin Bin Meranun, who is major shareholder of the Company as well as person connected to major shareholders of the Company, AAD and TGSB
BIGLIFE Sdn Bhd ("BIGLIFE")	Person connected to major shareholder of the Company, AAD

Current quarter		Cumulative quarters	
3 months ended		6 months ended	
30 Jun	30 Jun	30 Jun	30 Jun
2021	2020	2021	2020
RM'000	RM'000	RM'000	RM'000

Income/(expenses):

AAB

Fee and commission expenses	(174)	(260)	(400)	(1,511)
Data management fee	(3)	(3)	(5)	(8)

AAX

Fee and commission expenses	-	(57)	-	(322)
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PTAA

Fee and commission expenses	-	96	-	(0)
Telemarketing commission expenses	(1)	(0)	(1)	(1)

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16. Related party transactions (cont'd.)

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income/(expenses):				
TAA				
Fee and commission expenses	-	23	-	(0)
Telemarketing commission expenses	(3)	(3)	(5)	(5)
TGSB				
Royalty fee	(989)	(668)	(2,300)	(2,034)
Rental and utilities charges	(318)	(197)	(697)	(567)
SP&G				
Brokerage fee	(308)	(274)	(860)	(511)
BIGLIFE				
Purchase of loyalty points	(14)	-	(18)	-

All other related party transactions of the Group had been entered into the normal course of business and 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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18. Performance review

18.1 Current quarter ("2Q21") against corresponding quarter in prior year ("2Q20")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	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											
Operating revenue												
External	509	100	1,891	2,889	17,000	4,077	91,290	93,876	-	-	110,690	100,942
Inter-segment	11,685	25,427	-	-	759	578	683	2,049	(13,127)	(28,054)	-	(0)
	12,194	25,527	1,891	2,889	17,759	4,655	91,973	95,925	(13,127)	(28,054)	110,690	100,942
Segment profit	7,325	21,482	2,892	10,025	9,411	1,640	15,185	18,813	(14,545)	(31,357)	20,268	20,603

Group/Consolidated

The Group's operating revenue in 2Q21 increased from RM100.9 million in 2Q20 to RM110.7 million in 2Q21, an increase of RM9.8 million or 9.7% as compared to the corresponding quarter last year. The increase in operating revenue was resulted from higher gross earned premiums by RM13.1 million, offset by lower investment income by RM3.3 million.

Profit before tax of the Group in 2Q21 decreased from RM20.6 million in 2Q20 to RM20.3 million in 2Q21, a decrease of RM0.3 million or 1.6% as compared to the corresponding quarter last year.

General reinsurance

Operating revenue of this segment in 2Q21 grew by RM13.1 million from RM4.7 million in 2Q20 to RM17.8 million in 2Q21. 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 increased by RM7.8 million in this quarter, from RM1.6 million in 2Q20 to RM9.4 million in 2Q21, mainly resulted from the growth in underwriting profits in current quarter.

General insurance

Operating revenue of this segment in 2Q21 decreased by RM3.9 million from RM95.9 million in 2Q20 to RM92.0 million in 2Q21, a decrease of 4.1% as compared to the corresponding quarter last year. The decrease in revenue was resulted from lower investment income, which registered a decrease of RM4.1 million to RM1.7 million in 2Q21, compared to RM5.8 million in the corresponding quarter last year.

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18. Performance review (cont'd.)

18.1 Current quarter ("2Q21") against corresponding quarter in prior year ("2Q20") (cont'd.)

General insurance (cont'd.)

Profit before tax of this segment dropped by RM3.6 million to a RM15.2 million in 2Q21 from RM18.8 million in 2Q20. The decrease was mainly attributed by decrease of RM8.3 million in realised and unrealised investment income, offset by an increase of RM4.0 million in underwriting profits.

18.2 Current year to date ("YTD 2021") against corresponding year to date ("YTD 2020")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	30 Jun 2021	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
	Cumulative quarters 6 months ended											
Operating revenue												
External	578	401	4,052	5,883	50,441	21,877	173,068	195,137	-	-	228,139	223,298
Inter-segment	11,685	25,427	-	-	1,012	4,140	1,407	4,140	(14,104)	(33,707)	-	-
	12,263	25,828	4,052	5,883	51,453	26,017	174,475	199,277	(14,104)	(33,707)	228,139	223,298
Segment profit	1,570	17,683	(3,494)	10,646	10,428	9,640	3,832	19,968	(11,866)	(33,757)	470	24,180

Group/Consolidated

The Group's operating revenue increased from RM223.3 million in YTD 2020 to RM228.1 million in YTD 2021, an increase of RM4.8 million or 2.1% as compared to the corresponding year to date last year. The increase in operating revenue was resulted from higher gross earned premiums by RM10.8 million offset by lower investment income by RM6.0 million.

Profit before tax of the Group dropped by RM23.7 million from RM24.2 million in YTD 2020 to RM0.5 million in YTD 2021. The significant decrease in profit before tax was largely attributed by the fair value losses on investments.

General reinsurance

Operating revenue of this segment in YTD 2021 grew by RM25.4 million from RM26.0 million in YTD 2020 to RM51.4 million in YTD 2021. 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 increased by RM0.8 million or 8.3% from RM9.6 million in YTD 2020 to RM10.4 million in YTD 2021, mainly due to growth of RM5.2 million in underwriting profits, offset by increase of RM3.3 million in fair value losses on investments and decrease of RM1.3 million in realised and unrealised foreign exchange gains.

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18. Performance review (cont'd.)

18.2 Current year to date ("YTD 2021") against corresponding year to date ("YTD 2020") (cont'd.)

General insurance

Operating revenue of this segment in YTD 2021 decreased by RM24.8 million to RM174.5 million from RM199.3 million in YTD 2020, a decrease of 12.4% as compared to the corresponding year to date last year. The decrease in revenue was resulted from lower gross earned premiums by RM17.6 million to RM170.9 million in YTD 2021 as compared to RM188.5 million in YTD 2020, largely attributed by decrease in both Motor and Travel PA segments, offset by growth in Engineering segment. The decrease in revenue was also attributed to lower investment income, which registered a decrease of RM7.2 million to RM3.5 million in YTD 2021 compared to RM10.7 million in YTD 2020.

Profit before tax of this segment dropped by RM16.1 million, from RM19.9 million in YTD 2020 to RM3.8 million in YTD 2021. The significant decrease was mainly attributed by increase of RM13.6 million in fair value losses on investments and decrease of RM7.2 million in investment income in YTD 2021.

18.3 Current quarter ("2Q21") against preceding quarter in current year ("1Q21")

	Investment holding and others		Collective investment schemes		General reinsurance		General insurance		Adjustments and eliminations		Consolidated	
	30 Jun 2021	31 Mar 2021	30 Jun 2021	31 Mar 2021	30 Jun 2021	31 Mar 2021	30 Jun 2021	31 Mar 2021	30 Jun 2021	31 Mar 2021	30 Jun 2021	31 Mar 2021
	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	509	69	1,891	2,161	17,000	33,441	91,290	81,778	-	-	110,690	117,449
Inter-segment	11,685	-	-	-	759	253	683	724	(13,127)	(977)	-	-
	<u>12,194</u>	<u>69</u>	<u>1,891</u>	<u>2,161</u>	<u>17,759</u>	<u>33,694</u>	<u>91,973</u>	<u>82,502</u>	<u>(13,127)</u>	<u>(977)</u>	<u>110,690</u>	<u>117,449</u>
Segment profit/(loss)	7,325	(5,755)	2,892	(6,386)	9,411	1,017	15,185	(11,353)	(14,545)	2,679	20,268	(19,798)

Group/Consolidated

The Group's operating revenue decreased by RM6.7 million to RM110.7 million in 2Q21 from RM117.4 million in 1Q21. The decrease in operating revenue was mainly resulted from decrease of RM6.6 million in gross earned premium.

Profit before tax of the Group increased by RM40.1 million from RM19.8 million loss in 1Q21 to RM20.3 million profit in 2Q21. The significant increase was mainly attributed by higher realised and unrealised investment income of RM34.2 million and growth in underwriting profits of RM6.9 million.

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18. Performance review (cont'd.)

18.3 Current quarter ("2Q21") against preceding quarter in current year ("1Q21") (cont'd.)

General reinsurance

Operating revenue of this segment in 2Q21 decreased by RM15.9 million to RM17.8 million from RM33.7 million in 1Q21. The decrease in operating revenue was attributed by the drop in gross earned premiums of Middle East market, due to the surge in Covid-19 cases in countries such as Indian, Bangladesh or Pakistan, which resulted in travel restrictions and lock-down.

Profit before tax of this segment increased by RM8.4 million to RM9.4 million in 2Q21 from RM1.0 million in last quarter. The increase in profit before tax was mainly attributed by an increase of RM8.3 million in fair value gains on investments, from loss of RM6.1 million in last quarter to gain of RM2.2 million in current quarter.

General insurance

Operating revenue of this segment in 2Q21 increased by RM9.5 million to RM92.0 million in 2Q21 from RM82.5 million in 1Q21, a increase of 11.5% as compared to the last quarter. The increase in operating revenue was mainly resulted from higher gross earned premiums by RM9.6 million to RM90.3 million in 2Q21 from RM80.6 million in the last quarter, largely attributed by Non-Motor segment.

Profit before tax of this segment increased by RM26.5 million to profit of RM15.2 million in 2Q21 from loss of RM11.3 million in the last quarter. The significant increase was mainly attributed by increase in fair value gains on investments.

19. Commentary on prospects

During the year, 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 for further diversification, by focusing on three main pillars namely, Health, Lifestyle and Small Medium Enterprise ("SME").

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.

Malaysia's aim to have all adults fully vaccinated for Covid-19 by the fourth quarter this year would contribute positively to the resumption of local economy activities and potentially a positive outlook for the Group's performance in the coming quarters.

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19. Commentary on prospects (cont'd.)

An encouraging growth in the vaccination rate in our neighboring countries was also observed during the quarter. We are cautiously optimistic that this may support some relaxation in border control measures in selected countries and permit some recovery in travel activities in the region in the quarters ahead.

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 30 June 2021.

21. Corporate proposal

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

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.

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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.)

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.

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 30 August 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.

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22. 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, 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").

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 14 October 2021.

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22. Material litigation (cont'd.)

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

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.

As at 30 June 2021, the net amount owed by the Reinsurer increased to RM10.9 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 20 August 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 30 June 2021 or the previous year ended 31 December 2020.

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25. Risks and policies for derivatives

The Group did not enter into any derivative transactions during the period ended 30 June 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 30 June 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.