



TUNE INSURANCE MALAYSIA BERHAD (30686-K)

**CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2019**

30686 K

**Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)**

Contents	Page
Condensed statements of financial position - unaudited	1
Condensed statements of comprehensive income - unaudited	2
Condensed statements of changes in equity - unaudited	3 - 4
Condensed statements of cash flows - unaudited	5 - 6
Notes to the condensed interim financial statements	7 - 20

30686 K

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Condensed statements of financial position
As at 30 June 2019 - unaudited

	Note	30.06.2019 RM'000	31.12.2018 RM'000
Assets			
Property and equipment		4,266	4,304
Right-of-use assets		3,178	-
Intangible assets	6	1,526	1,705
Investments	7	477,622	512,892
Reinsurance assets	8	466,320	452,340
Insurance receivables		149,560	125,249
Other receivables		74,343	64,143
Tax recoverable		30,980	28,693
Deferred tax assets		846	1,285
Cash and bank balances		936	2,971
Total assets		1,209,577	1,193,582
Equity			
Share capital		103,348	103,348
Retained earnings		184,836	178,621
Equity attributable to owners of the parent		288,184	281,969
Total equity		288,184	281,969
Liabilities			
Insurance contract liabilities	9	766,248	761,263
Retirement benefits		507	573
Insurance payables		117,515	119,243
Other payables		33,916	30,534
Lease liabilities		3,207	-
Total liabilities		921,393	911,613
Total equity and liabilities		1,209,577	1,193,582

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Condensed statements of comprehensive income
For the 6 months period ended 30 June 2019 - unaudited

		6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
	Note		
Gross earned premiums	10(a)	202,202	238,280
Earned premiums ceded to reinsurers	10(b)	(120,974)	(146,469)
Net earned premiums	10	<u>81,228</u>	<u>91,811</u>
Investment income		10,795	10,179
Realised gains and losses		987	(156)
Fair value gains and losses		7,776	(151)
Fee and commission income		22,153	35,263
Other operating income		433	529
Other revenue		<u>42,144</u>	<u>45,664</u>
Gross claims paid	11(a)	(142,549)	(99,903)
Claims ceded to reinsurers	11(b)	92,169	42,596
Gross change to contract liabilities	11(c)	410	(30,022)
Change in contract liabilities ceded to reinsurers	11(d)	7,938	33,747
Net claims		<u>(42,032)</u>	<u>(53,582)</u>
Fee and commission expense		(26,285)	(34,902)
Management expenses		(38,180)	(33,534)
Other operating expenses		(19)	(9)
Other expenses		<u>(64,484)</u>	<u>(68,445)</u>
Profit before taxation		16,856	15,448
Taxation		(640)	(2,138)
Net profit for the period		<u>16,216</u>	<u>13,310</u>
Earnings per share attributable to owners of the parent (sen per share)			
Basic and diluted	12	15.69	12.88

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

30686 K

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Condensed statements of changes in equity
For the 6 months period ended 30 June 2019 - unaudited

<---- Attributable to the owners of the parent ---->

		Share capital RM'000	Non- distributable Available- for-sale reserves RM'000	Dis- tributable Retained earnings RM'000	Total equity RM'000
	Note				
At 1 January 2019		103,348	-	178,621	281,969
Net profit for the year, representing total comprehensive income for the year		-	-	16,216	16,216
Dividend paid	13	-	-	(10,001)	(10,001)
At 30 June 2019		<u>103,348</u>	<u>-</u>	<u>184,836</u>	<u>288,184</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

30686 K

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Condensed statements of changes in equity
For the 6 months period ended 30 June 2019 - unaudited (Cont'd)

<---- Attributable to the owners of the parent ---->

		Share capital RM'000	Non- distributable Available- for-sale reserves RM'000	Dis- tributable Retained earnings RM'000	Total equity RM'000
	Note				
At 1 January 2018		103,348	6	168,647	272,001
Changes on initial application of MFRS 9		-	(6)	(111)	(117)
At 1 January 2018, as restated		103,348	-	168,536	271,884
Net profit for the year, representing total comprehensive income for the year		-	-	13,310	13,310
Dividend paid	13	-	-	(11,001)	(11,001)
At 30 June 2018		103,348	6	170,956	274,193

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Condensed statements of cash flows

For the 6 months period ended 30 June 2019 - unaudited

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
Profit before taxation	<u>16,856</u>	<u>15,448</u>
Adjustments for:		
Depreciation of property and equipment	1,665	669
Depreciation of investment property	-	10
Amortisation of intangible assets	421	347
Investment income	(10,795)	(10,179)
Gains on disposal of property and equipment	7	-
Realised gains and losses	(970)	156
Fair value gains and losses	(7,776)	149
Amortisation of investments	1	-
Allowance for/(write-back of) impairment losses of insurance receivables	<u>1,878</u>	<u>(2,268)</u>
	1,287	4,332
Changes in working capital:		
Reinsurance assets	(14,899)	(62,207)
Insurance receivables	(25,269)	(26,626)
Other receivables	(8,407)	(4,537)
Insurance contract liabilities	4,985	52,188
Insurance payables	(1,728)	36,541
Other payables	<u>6,588</u>	<u>2,284</u>
Cash generated from operating activities	(37,443)	1,976
Net interest received	937	1,300
Net dividend received	8,125	8,940
Rental received	15	16
Retirement benefits paid	(66)	28
Income tax paid	<u>(2,564)</u>	<u>(3,288)</u>
Net cash flows generated from operating activities	<u>(30,996)</u>	<u>8,972</u>

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Condensed statements of cash flows

For the 6 months period ended 30 June 2019 - unaudited (Cont'd)

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
Investing activities		
Purchases of FVTPL financial assets	(31,179)	(174,453)
Proceeds from maturities/disposals of FVTPL financial assets	77,611	161,083
Dividend reinvestment	-	-
Movement in LAR	1,922	4,831
Proceeds from disposal of property and equipment	17	-
Purchase of property and equipment	(654)	(226)
Purchase of investment property	-	-
Purchase of intangible assets	(241)	(354)
Net cash flows used in investing activities	47,476	(9,119)
Financing activities		
Repayment of lease liabilities	(4,175)	-
Dividends paid to owners of the parent	(10,001)	(11,001)
Dividends paid to non-controlling interests	-	-
Net cash flows generated from/ (used in) financing activities	(14,176)	(11,001)
Net (decrease)/increase in cash and cash equivalents	2,304	(11,148)
Cash and cash equivalents at beginning of year	22,047	38,723
Cash and cash equivalents at end of year	24,351	27,575
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturity of less than three months) with licensed financial institutions	23,415	24,364
Cash and bank balances	936	3,212
	24,351	27,575

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Notes to the condensed interim financial statements

1. Basis of preparation

The condensed interim financial statements of the Company are unaudited and have been prepared in accordance with MFRS 134, *Interim Financial Reporting*. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2018.

The explanatory notes attached to the condensed 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 Company since the last financial year ended 31 December 2018.

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 2019 and which were adopted by the Company on 1 January 2019.

MFRS 16 *Leases*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Amendments to MFRS 128 *Long-term Interests In Associates and Joint Ventures*

Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 3, *Business Combinations*

Amendments to MFRS 112, *Income Taxes*

Amendments to MFRS 123, *Borrowing Costs*

Annual improvements to MFRS Standards 2015-2017 Cycle

The adoption of the above pronouncements did not have any material impact to the current and prior period financial statements of the Company except as discussed below:

MFRS 16 *Leases*

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

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

2.1 Adoption of MFRSs, Amendments to MFRSs and IC Interpretations (cont'd.)

MFRS 16 Leases (cont'd)

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company has adopted MFRS 16 for the first time as of 1 January 2019, using the modified retrospective approach, whereby comparative information is not required to be restated. In line with the practical expedient allowed under MFRS 16, the Company has elected to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4. Therefore, the Company did not apply the standard to contracts that were not previously identified as containing a lease when applying MFRS 117 and IC Interpretation 4.

On transition to MFRS 16, the Company recognised lease liabilities and right-of-use assets of approximately RM3,746,000 as at 1 January 2019.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

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 Company's interim financial statements. The Company intends to adopt these Amendments to Standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3 <i>Business Combinations</i>	
- <i>Definition of a business</i>	1 January 2020
Amendments to MFRS 101 <i>Presentation of financial statements</i> and MFRS 108 <i>Accounting policies, changes in accounting estimates and errors</i>	
- <i>Definition of material</i>	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
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 Company 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:

- (i) A specific adaptation for contracts with direct participation features (the variable fee approach); and
- (ii) A simplified approach (the premium allocation approach) mainly for short-duration contracts.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

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

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

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with the option to apply a full retrospective, modified retrospective or fair value approach on transition. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17.

The Company have completed the assessment of the operational impacts for adopting MFRS 17 and intend to assess the financial impacts in the financial year ending 2019.

On 14 November 2018, the IASB tentatively decided to propose an amendment to the effective date of IFRS 17 to reporting periods beginning on or after 1 January 2022. The proposed deferral is subject to public consultation, which is expected by end of 2019.

3. Unusual item affecting assets, liabilities, equity, net income or cash flows

There were no other items affecting assets, liabilities, net income or cash flows which are unusual because of their nature , size or incidence in the current interim period ended 30 June 2019.

4. Changes in estimates

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2019.

5. Dividend Paid

In the current interim period ended 30 June 2019, the Company paid a final single tier dividend of 0.10 sen per ordinary share totaling RM10,001,321 in respect of the financial year ended 31 December 2018 on 3 June 2019.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

6. Intangible assets

	30.06.2019	31.12.2018
	RM'000	RM'000
Computer software		
Cost		
At 1 January	7,590	6,403
Additions	242	1,187
At 31 December	<u>7,832</u>	<u>7,590</u>
Accumulated amortisation		
At 1 January	5,885	5,005
Amortisation	421	880
At 31 December	<u>6,306</u>	<u>5,885</u>
Net carrying amount	<u>1,526</u>	<u>1,705</u>

7. Investments

	30.06.2019	31.12.2018
	RM'000	RM'000
Debt securities	25,302	20,093
Investments in subsidiaries (Note 7(c))	154,688	150,607
Unit trust funds	269,615	316,593
Loans	184	208
Fixed and call deposits with licensed financial institutions	27,833	25,391
	<u>477,622</u>	<u>512,892</u>

The Company's investment are summarised by categories as follows:

	30.06.2019	31.12.2018
Company	RM'000	RM'000
Amortised cost (Note 7(a))	28,017	25,599
FVTPL financial assets (Note 7(b))	449,605	487,293
	<u>477,622</u>	<u>512,892</u>

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

7. Investments (cont'd.)

(a) LAR

	30.06.2019	31.12.2018
	RM'000	RM'000
At amortised cost:		
Fixed and call deposits with licensed financial institutions	27,833	25,391
Loans receivable:		
Secured staff mortgage loans	168	205
Other unsecured staff loans:	16	3
	184	208
	<u>28,017</u>	<u>25,599</u>

The carrying value of the fixed and call deposits approximates fair value due to the relatively short term maturities.

The carrying value of the loans receivable are reasonable approximations of fair value due to the insignificant impact of discounting.

(b) FVTPL financial assets

	30.06.2019	31.12.2018
	RM'000	RM'000
At fair value:		
Investments in subsidiaries (Note 7(c))	154,688	150,607
Quoted unit and property trust funds in Malaysia	269,615	316,593
Unquoted debt securities in Malaysia	25,302	20,093
	<u>449,605</u>	<u>487,293</u>

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

7. Investments (cont'd.)

(c) Investments in subsidiaries - collective investment schemes

	30.06.2019	31.12.2018
	RM'000	RM'000
At fair value:		
Quoted collective investment schemes in Malaysia:		
FVTPL financial assets	<u>154,688</u>	<u>150,607</u>

Details of investment in subsidiary - collective investment scheme are as follows:

Name	Principal activities	Registered in	% of ownership interest held by the Group	
			2019	2018
			%	%
Affin Hwang Income Fund I *	Investment in fixed income securities and money market placements	Malaysia	78.5	93.9

8. Reinsurance assets

	30.06.2019	31.12.2018
	RM'000	RM'000
Claim liabilities (Note 9)	365,617	357,679
Premium liabilities (Note 9)	<u>101,623</u>	<u>95,779</u>
	467,240	453,458
Less : Impairment losses	<u>(920)</u>	<u>(1,118)</u>
	<u>466,320</u>	<u>452,340</u>

30686 K

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

9. Insurance contract liabilities

Note	30.06.2019			31.12.2018		
	Gross RM'000	Reinsu- rance RM'000	Net RM'000	Gross RM'000	Reinsu- rance RM'000	Net RM'000
Provision for claims reported by policyholders	387,865	(242,453)	145,412	371,759	(227,280)	144,479
Provision for IBNR claims and PRAD	205,418	(123,164)	82,254	221,934	(130,399)	91,535
Claim liabilities (i)	593,283	(365,617)	227,666	593,693	(357,679)	236,014
Premium liabilities (ii)	172,965	(101,623)	71,342	167,570	(95,779)	71,791
	<u>766,248</u>	<u>(467,240)</u>	<u>299,008</u>	<u>761,263</u>	<u>(453,458)</u>	<u>307,805</u>
(i) Claim liabilities						
At 1 January	593,693	(357,679)	236,014	420,792	(171,609)	249,183
Claims incurred in the current accident year	160,848	(108,085)	52,763	419,111	(269,745)	149,366
Adjustment to claims incurred in prior accident years due to changes in assumptions	(18,709)	7,978	(10,731)	(44,313)	(9,475)	(53,788)
Claims paid during the year (Note 11)	(142,549)	92,169	(50,380)	(201,897)	93,150	(108,747)
At 30 June 2019/31 December 2018	<u>593,283</u>	<u>(365,617)</u>	<u>227,666</u>	<u>593,693</u>	<u>(357,679)</u>	<u>236,014</u>

30686 K

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

9. Insurance contract liabilities (cont'd.)

	30.06.2019			31.12.2018		
	Gross	Reinsu-	Net	Gross	Reinsu-	Net
	RM'000	rance	RM'000	RM'000	rance	RM'000
		RM'000			RM'000	
(ii) Premium liabilities						
At 1 January	167,570	(95,779)	71,791	185,734	(97,885)	87,849
Premiums written in the year (Note 10)	207,597	(126,818)	80,779	450,781	(286,843)	163,938
Premiums earned during the year	(202,202)	120,974	(81,228)	(468,945)	288,949	(179,996)
At 30 June 2019/31 December 2018	<u>172,965</u>	<u>(101,623)</u>	<u>71,342</u>	<u>167,570</u>	<u>(95,779)</u>	<u>71,791</u>

As at 30 June 2019, the insurance contract liabilities above includes the Company's share of MMIP's claim and premium liabilities amounting to RM30,090,000 (2018: RM36,350,000) and RM2,877,000 (2018: RM2,801,000) respectively.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

10. Net earned premiums

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
(a) Gross earned premiums		
Gross written premiums	207,597	260,446
Change in premium liabilities	(5,395)	(22,166)
	<u>202,202</u>	<u>238,280</u>
(b) Premiums ceded to reinsurers		
Gross premiums ceded to reinsurers	126,818	174,247
Change in premium liabilities	(5,844)	(27,778)
	<u>120,974</u>	<u>146,469</u>
Net earned premiums	<u>81,228</u>	<u>91,811</u>

11. Net claims

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
(a) Gross claims paid	(142,549)	(99,903)
(b) Claims ceded to reinsurers	92,169	42,596
Net claims paid (a)	<u>(50,380)</u>	<u>(57,307)</u>
(c) Gross change in contract liabilities	410	(30,022)
(d) Change in contract liabilities ceded to reinsurers	7,938	33,747
Net change in contract liabilities (b)	<u>8,348</u>	<u>3,725</u>
Net claims (a) + (b)	<u>(42,032)</u>	<u>(53,582)</u>

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

12. Earnings per share - Basic and diluted

Earnings per share is calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue.

	6 months period ended 30.06.2019 RM'000	2018 RM'000
Profit attributable to ordinary equity holders	16,216	21,083
Number of ordinary shares in issue ('000)	103,348	100,013
Basic and diluted earnings per share (sen)	<u>15.69</u>	<u>21.08</u>

There were no dilutive potential ordinary shares as at the end of the relevant reporting dates. There have been no other transactions involving ordinary shares between the reporting date and the date of these financial statements.

13. Dividends

	6 months period ended 30.06.2019 RM'000	2018 RM'000
Approved and paid:		
Dividend on ordinary shares paid by the Company:		
Final dividend of RM0.10 per ordinary share in respect of the financial year ended 31 December 2018	10,001	11,001
	<u>10,001</u>	<u>-</u>
	<u>10,001</u>	<u>11,001</u>

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

14. Regulatory capital requirement

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirements prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. As at year end, the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as at the reporting date, as prescribed under the "RBC Framework", is provided as below:

	6 months period ended	
	30.06.2019	2018
	RM'000	RM'000
Eligible Tier 1 capital		
Paid-up share capital	103,348	103,348
Reserves, including retained earnings	184,836	178,621
	<u>288,184</u>	<u>281,969</u>
Tier 2 capital		
Eligible reserves	<u>-</u>	<u>-</u>
Amount deducted from capital	<u>3,147</u>	<u>3,758</u>
Total capital available	<u>285,037</u>	<u>278,211</u>

**Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)**

15. Material litigation

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

On 22 February 2017, the Company received a notice from the Malaysia Competition Commission ("MyCC") concerning a proposed preliminary decision ("Proposed Decision") which found that TIMB and 21 other general insurance companies who are members of the General Insurance Association of Malaysia ("PIAM") had purportedly infringed one of the prohibitions under the Competitions Act 2010 ("CA") in Malaysia, arising from agreed rates adopted by PIAM members with Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM").

The Proposed Decision suggests a financial penalty of RM3,608,530 on the part of the Company and a consolidated amount of RM213,454,814 on all the 22 members of PIAM but PIAM members have been given the opportunity to make its written representations with MyCC to defend its positions which was done by the Company.

Subsequently, a fresh hearing was held with the new Chairman of MyCC with the last submission having been made on 18 June 2019.

Todate, the Company in consultation with its legal counsel, has taken all necessary and appropriate actions to defend its position that it has not infringed Section 4(2) of the CA and at all times maintain that TIMB acted in accordance with the directives issued by Bank Negara Malaysia.

As at the approval 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, the Company 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.

The Company 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.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

15. Material litigation (cont'd.)

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

On 11 January 2019, the Company 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 the Company's application for judicial review with cost of RM5,000. The High Court ordered for the Notice of Assessment from LHDN be amended to allow the deduction of PRAD expenses and dismissed the penalty imposed in relation to this issue. The High Court also granted a stay of proceedings against the payment of taxes on the other additional taxes and penalties levied by LHDN until the determination of the appeal before the Special Commissioners of Income Tax.

LHDN has now filed a Notice of Appeal against the decision of the High Court on 23 May 2019.

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

The Company 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 the Company under the EWP. Accordingly, the Company has commenced legal action to recover certain amounts owed by the Reinsurer under the Reinsurance Contract through its appointed solicitors. As at 31 December 2018, the amount owed by the Reinsurer amounted to RM9,427,000 of which RM4,016,000 has been impaired.

On 29 January 2019, a writ of summon 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 the Company to proceed with the service of Notice of Writ to be served out of jurisdiction to the Reinsurer in Hong Kong. The matter is now fixed for case management on 3 April 2019 in Malaysia to enable the Defendant to enter an appearance. The Defendant entered an appearance on 2 April 2019 and at the case management on 3 April 2019, the Court fixed the matter for a further case management on 27 May 2019 to enable both parties to file their pleadings.

At the case management on 24 June 2019, the Defendant was requested by the Court to conduct an inspection of the Plaintiff's documents and make payment in respect of files which are payable after the inspection in order to reduce the number of files. The matter has been fixed for further case management on 8 July 2019 and trial from 4 to 6 May 2020 and 8 to 11 June 2020.