



TUNE INSURANCE MALAYSIA BERHAD

Registration No. 197601004719 (30686-K)

**CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022**

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

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Condensed statements of financial position
As at 30 June 2022 - unaudited

	Note	30.06.2022 RM'000	31.12.2021 RM'000
Assets			
Property and equipment		3,021	2,881
Intangible assets	6	19,213	12,528
Rights-of-use assets		2,877	3,070
Investments	7	498,227	493,341
Reinsurance assets	8	651,354	649,331
Insurance receivables		163,550	75,636
Other receivables		47,242	49,367
Tax recoverable		28,223	28,223
Deferred tax assets		3,231	1,832
Cash and bank balances		1,636	3,660
Total assets		1,418,574	1,319,869
Equity			
Share capital		103,348	103,348
Retained earnings		193,704	199,140
Equity attributable to owners of the parent		297,052	302,488
Total equity		297,052	302,488
Liabilities			
Insurance contract liabilities	9	961,557	905,350
Lease liabilities		3,066	3,253
Insurance payables		111,832	67,228
Other payables		45,067	41,550
Total liabilities		1,121,522	1,017,381
Total equity and liabilities		1,418,574	1,319,869

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

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Condensed statements of comprehensive income
For the 6 months period ended 30 June 2022 - unaudited

		6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
	Note		
Gross earned premiums	10(a)	198,983	170,899
Earned premiums ceded to reinsurers	10(b)	(109,250)	(115,517)
Net earned premiums	10	<u>89,733</u>	<u>55,382</u>
Investment income		5,559	3,576
Realised gains		200	1,813
Fair value losses		(11,253)	(9,747)
Fee and commission income		15,592	12,551
Other operating income		1,389	1,093
Other revenue		<u>11,487</u>	<u>9,286</u>
Gross claims paid	11(a)	(81,105)	(89,762)
Claims ceded to reinsurers	11(b)	50,513	63,984
Gross change to contract liabilities	11(c)	32,114	9,034
Change in contract liabilities ceded to reinsurers	11(d)	(39,969)	(627)
Net claims		<u>(38,447)</u>	<u>(17,371)</u>
Fee and commission expense		(34,177)	(14,133)
Management expenses		(35,399)	(27,371)
Other operating expenses		(33)	(1,836)
Finance cost		-	(125)
Other expenses		<u>(69,609)</u>	<u>(43,465)</u>
(Loss)/Profit before taxation		(6,836)	3,831
Taxation		1,400	(2,854)
Net (loss)/ profit for the period		<u>(5,436)</u>	<u>977</u>
Earnings per share attributable to owners of the parent (sen per share)			
Basic and diluted	12	(5.26)	0.95

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

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Condensed statements of changes in equity
For the 6 months period ended 30 June 2022 - unaudited

	<---- Attributable to the owners of the parent ---->		
	Non Dis- tributable Share capital RM'000	Dis- tributable Retained earnings RM'000	Total equity RM'000
At 1 January 2022	103,348	199,140	302,488
Net loss for the period, representing total comprehensive loss for the period	-	(5,436)	(5,436)
At 30 June 2022	103,348	193,704	297,052

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

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Condensed statements of changes in equity
For the 6 months period ended 30 June 2022- unaudited (cont'd.)

	<---- Attributable to the owners of the parent ---->		
	Non Dis- tributable Share capital RM'000	Dis- tributable Retained earnings RM'000	Total equity RM'000
At 1 January 2021	103,348	211,520	314,868
Net profit for the period, representing total comprehensive income for the period	-	977	977
At 30 June 2021	103,348	212,497	315,845

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

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Condensed statements of cash flows

For the 6 months period ended 30 June 2022 - unaudited

	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
(Loss)/Profit before taxation	<u>(6,836)</u>	<u>3,831</u>
Adjustments for:		
Depreciation of property and equipment	595	547
Amortisation of intangible assets	939	604
Depreciation of right-of-use assets	868	876
Investment loss	(5,559)	(3,576)
Gains on disposal of property and equipment	(18)	(6)
Realised gains	(182)	(1,807)
Fair value losses	11,253	9,747
Finance cost	91	125
Allowance for/(Write-back of) impairment losses of insurance receivables	1,213	(1,315)
(Write-back of)/Allowance for impairment losses on reinsurance assets	<u>(1,633)</u>	<u>146</u>
	731	9,172
Changes in working capital:		
Reinsurance assets	(391)	(17,494)
Insurance receivables	(89,128)	(60,476)
Other receivables	1,756	492
Insurance contract liabilities	56,207	11,911
Insurance payables	44,600	47,439
Other payables	<u>3,537</u>	<u>246</u>
Cash generated/(used in) from operating activities	17,312	(8,710)
Net interest received	674	520
Net dividend received	5,242	4,840
Income tax paid	<u>-</u>	<u>(2,073)</u>
Net cash flows generated/(used in) from operating activities	<u>23,228</u>	<u>(5,423)</u>

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Condensed statements of cash flows

For the 6 months period ended 30 June 2022 - unaudited (cont'd.)

	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
Investing activities		
Purchases of FVTPL financial assets	(15,311)	(306,000)
Proceeds from maturities/disposals of FVTPL financial assets	5,182	316,551
Dividend reinvestment	(5,242)	(4,840)
Movement in amortised cost	(1,144)	(752)
Proceeds from disposal of property and equipment	18	(2)
Purchase of property and equipment	(735)	(936)
Purchase of intangible assets	(7,625)	(4,773)
Net cash flows used in investing activities	(24,857)	(752)
Financing activities		
Payment of principal portion of lease liabilities	(952)	(961)
Net cash flows used in financing activities	(952)	(961)
Net decrease in cash and cash equivalents	(2,581)	(7,136)
Cash and cash equivalents at beginning of year	45,262	31,693
Cash and cash equivalents at end of year	42,681	24,557
Cash and cash equivalents comprise:		
Fixed and call deposits (with original maturity of less than three months) with licensed financial institutions	41,045	16,470
Cash and bank balances	1,636	8,087
	42,681	24,557

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

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/IAS 34, *Interim Financial Reporting*. They do not include all of the information required for a complete set of MFRS/IFRS financial statements, and should be read in conjunction with the Company's last annual audited financial statements as at and for the year ended 31 December 2021 ("last annual audited financial statements"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual audited financial statements.

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 2021.

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 Amendments to Standards which are mandatory for annual financial periods beginning on or after 1 January 2022 and which were adopted by the Company on 1 January 2022.

Annual Improvements to MFRS Standards 2018–2020

Amendments to MFRS 116 *Property, Plant and Equipment* — Proceeds before Intended Use

Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* (*Onerous Contracts - Cost of Fulfilling a Contract*)

Amendments to MFRS 3 *Business Combinations Reference to Conceptual Framework*

The adoption of the above pronouncements did not have any material impact to the current and prior period financial statements of the Company.

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
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023

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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 17 <i>Insurance Contracts (Initial Application of MFRS 17 and MFRS 9-Comparative Information)</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</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 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) which is not applicable to the Company's contracts; and
- (ii) A simplified approach (the premium allocation approach), mainly for short-duration contracts.

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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 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 Company have applied MFRS 9 and MFRS 15 before the date it first applies MFRS 17.

The Company have 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. 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 2022.

4. Changes in estimates

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2022.

5. Dividend paid

No interim dividend has been declared for the financial period ended 30 June 2022.

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6. Intangible assets

	30.06.2022	31.12.2021
	RM'000	RM'000
Computer software		
Cost		
At 1 January	20,435	10,308
Additions	7,625	12,021
Written off	-	(1,894)
At 31 December	<u>28,060</u>	<u>20,435</u>
Accumulated amortisation		
At 1 January	7,907	8,099
Amortisation	940	1,702
Written off	-	(1,894)
At 31 December	<u>8,847</u>	<u>7,907</u>
Net carrying amount	<u>19,213</u>	<u>12,528</u>

7. Investments

	30.06.2022	31.12.2021
	RM'000	RM'000
Debt securities	5,024	10,243
Investments in subsidiaries (Note 7(c))	59,373	59,890
Unit trust funds	383,297	373,261
Loans	68	146
Fixed and call deposits with licensed financial institutions	-	-
	<u>50,465</u>	<u>49,801</u>
	<u>498,227</u>	<u>493,341</u>

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

Company	30.06.2022	31.12.2021
	RM'000	RM'000
Amortised cost (Note 7(a))	50,533	49,947
FVTPL financial assets (Note 7(b))	447,694	443,394
	<u>498,227</u>	<u>493,341</u>

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7. Investments (cont'd.)

(a) Amortised cost

	30.06.2022 RM'000	31.12.2021 RM'000
At amortised cost:		
Fixed and call deposits with licensed financial institutions	50,465	49,801
Loans receivable:		
Secured staff mortgage loans	60	144
Other unsecured staff loans:	8	2
	68	146
	<u>50,533</u>	<u>49,947</u>

Included in fixed and call deposits with licensed financial institutions of the Company is short-term deposits with original maturity periods of less than 3 months amounting to RM41,054,000 (31.12.2021: RM41,603,000), which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

Included in deposits and placements of the Company is an amount of RM12,094,000 (31.12.2021: RM10,736,000) representing placements of deposits received from insureds as collateral for bond guarantees granted by the Company to third parties.

The carrying values of the fixed and call deposits approximate fair values due to the relatively short-term maturities.

The carrying values of the secured staff mortgage loans and other unsecured staff loans are reasonable approximations of fair value due to the insignificant impact of discounting.

(b) FVTPL financial assets

	30.06.2022 RM'000	31.12.2021 RM'000
At fair value:		
Investments in subsidiaries (Note 7(c))	59,373	59,890
Quoted unit and property trust funds in Malaysia	383,297	373,261
Unquoted debt securities in Malaysia	5,024	10,243
	<u>447,694</u>	<u>443,394</u>

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7. Investments (cont'd.)**(c) Investments in subsidiaries - collective investment schemes**

	30.06.2022 RM'000	31.12.2021 RM'000
At fair value:		
Quoted collective investment schemes in Malaysia:		
FVTPL financial assets	59,373	59,890

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

Name	Principal activities	Registered in	% of ownership interest held by the Group	
			30.06.2022 %	31.12.2021 %
Affin Hwang Income Fund I *	Investment in fixed income securities and money market placements	Malaysia	56.6	51.9

8. Reinsurance assets

	30.06.2022 RM'000	31.12.2021 RM'000
Claim liabilities (Note 9)	545,875	585,844
Premium liabilities (Note 9)	106,584	66,225
	652,459	652,069
Less : Impairment losses	(1,105)	(2,738)
	651,354	649,331

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9. Insurance contract liabilities

	Note	30.06.2022			31.12.2021		
		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		474,596	(348,137)	126,459	503,064	(374,728)	128,336
Provision for IBNR claims and PRAD		279,773	(197,738)	82,035	283,419	(211,116)	72,303
Claim liabilities	(i)	754,369	(545,875)	208,494	786,483	(585,844)	200,639
Premium liabilities	(ii)	207,188	(106,584)	100,604	118,867	(66,225)	52,642
		<u>961,557</u>	<u>(652,459)</u>	<u>309,098</u>	<u>905,350</u>	<u>(652,069)</u>	<u>253,281</u>
(i) Claim liabilities							
At 1 January		786,483	(585,844)	200,639	773,262	(556,555)	216,707
Claims incurred in the current accident year		111,662	(52,914)	58,748	220,646	(137,193)	83,453
Adjustment to claims incurred in prior accident years due to changes in assumptions		(62,671)	42,370	(20,301)	(40,529)	(8,640)	(49,169)
Claims paid during the year (Note 11)		(81,105)	50,513	(30,592)	(166,896)	116,544	(50,352)
At 30 June 2022/31 December 2021		<u>754,369</u>	<u>(545,875)</u>	<u>208,494</u>	<u>786,483</u>	<u>(585,844)</u>	<u>200,639</u>

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9. Insurance contract liabilities (cont'd.)

	30.06.2022			31.12.2021		
	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	118,867	(66,225)	52,642	121,939	(73,802)	48,137
Premiums written in the year (Note 10)	287,304	(149,609)	137,695	314,990	(202,537)	112,453
Premiums earned during the year	(198,983)	109,250	(89,733)	(318,062)	210,114	(107,948)
At 30 June 2022/31 December 2021	<u>207,188</u>	<u>(106,584)</u>	<u>100,604</u>	<u>118,867</u>	<u>(66,225)</u>	<u>52,642</u>

As at 30 June 2022, the insurance contract liabilities above includes the Company's share of MMIP's claim and premium liabilities amounting to RM16,024,000 (2021: RM22,209,000) and RM929,000 (2021: RM704,000) respectively.

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10. Net earned premiums

	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
(a) Gross earned premiums		
Gross written premiums	287,304	191,843
Change in premium liabilities	(88,321)	(20,944)
	<u>198,983</u>	<u>170,899</u>
(b) Premiums ceded to reinsurers		
Gross premiums ceded to reinsurers	149,609	133,638
Change in premium liabilities	(40,359)	(18,121)
	<u>109,250</u>	<u>115,517</u>
Net earned premiums	<u>89,733</u>	<u>55,382</u>

11. Net claims

	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
(a) Gross claims paid	(81,105)	(89,762)
(b) Claims ceded to reinsurers	50,513	63,984
Net claims paid (a)	<u>(30,592)</u>	<u>(25,778)</u>
(c) Gross change in contract liabilities	32,114	9,034
(d) Change in contract liabilities ceded to reinsurers	(39,969)	(627)
Net change in contract liabilities (b)	<u>(7,855)</u>	<u>8,407</u>
Net claims (a) + (b)	<u>(38,447)</u>	<u>(17,371)</u>

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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 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
Profit attributable to ordinary equity holders	(5,436)	977
Number of ordinary shares in issue ('000)	103,348	103,348
Basic and diluted earnings per share (sen)	<u>(5.26)</u>	<u>0.95</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. 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 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
Eligible Tier 1 capital		
Paid-up share capital	103,348	103,348
Reserves, including retained earnings	<u>193,704</u>	<u>212,497</u>
	297,052	315,845
Amount deducted from capital	<u>(23,062)</u>	<u>(8,271)</u>
Total capital available	<u>273,990</u>	<u>307,574</u>

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14. 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.

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.

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14. Material litigation (cont'd.)

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

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

All appellants have completed their oral submissions for the appeal and the CAT has reserved judgment which is expected to be delivered in late July/early August 2022.

(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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14. 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.

The matter is now fixed for mention on 22 August 2022.

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 TIMB believes that there are strong grounds to argue its case, based on legal advice received.

(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.

On 29 January 2019, a writ of summons was filed with the High Court to recover an amount of RM2,822,000 from the Reinsurer.

On 18 March 2022, the High Court dismissed the Company's claim with a legal cost of RM60,000 to be paid to the Reinsurer. The Company did not file an appeal against the decision by the High Court.

As at 30 June 2022, the net amount disputed by the Reinsurer increased to RM12,337,000 (2021: RM11,758,000), with an additional Reinsurance Assets exposure of RM1,105,000 (2021: RM2,738,000). Full impairment has been provided for both of these balances.