

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES



**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

<b>CONTENTS</b>	<b>PAGES</b>
DIRECTORS' REPORT	1 to 14
BALANCE SHEETS	15 and 16
INCOME STATEMENTS	17
GENERAL INSURANCE REVENUE ACCOUNT	18 and 19
LIFE FUND BALANCE SHEET	20
LIFE FUND REVENUE ACCOUNT	21
STATEMENT OF CHANGES IN EQUITY	22
GROUP CASH FLOW STATEMENT	23 and 24
COMPANY CASH FLOW STATEMENT	25 and 26
NOTES TO THE FINANCIAL STATEMENTS	27 to 121
STATEMENT BY DIRECTORS	122
STATUTORY DECLARATION	123
INDEPENDENT AUDITORS' REPORT	124 and 125

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2009.

**PRINCIPAL ACTIVITIES**

The Company is engaged in the underwriting of life and general insurance businesses and investment holding, whilst the principal activities of the subsidiary companies are stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

**FINANCIAL RESULTS**

	<b>The Group RM'000</b>	<b>The Company RM'000</b>
Profit for the financial year	64,960 =====	84,043 =====

**DIVIDENDS**

The amount of dividends paid by the Company since the end of the previous financial year, was as follows:

	<b>RM'000</b>
In respect of the financial year ended 30 June 2009:	
Tax-exempt interim dividend of 21.75 sen per share on 19 June 2009	43,500 =====

The Directors do not recommend any final dividend to be paid for the financial year ended 30 June 2009.

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**PROVISION FOR OUTSTANDING CLAIMS**

Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate allowance for incurred claims, including Incurred But Not Reported ("IBNR") claims.

**BAD AND DOUBTFUL DEBTS**

Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent.

**CURRENT ASSETS**

Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, their values are shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

**VALUATION METHODS**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and of the Company.

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

**ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Company for the period in which this report is made.

## COMPANY NUMBER (94613-X)

### HONG LEONG ASSURANCE BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

## DIRECTORS' REPORT (CONT'D)

### CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholders' value, whilst taking into account the interest of other stakeholders.

#### A. Board Responsibilities and Oversight

##### The Board of Directors ("Board")

The Board's responsibilities include:-

- (i) Approving the Group's strategic plan and the annual budget;
- (ii) Overseeing the conduct of the business including investment strategies;
- (iii) Supervising the implementation of a risk management framework, which includes the appropriate internal control and management information systems;
- (iv) Approving the appointment, remuneration and succession plans for senior management;
- (v) Approving the operating policies and transactions reserved for it within the risk management framework; and
- (vi) Approving investors' relation policies and supervising the implementation of related programmes.

The Board comprises the Chairman who is a Non-Independent Non-Executive Director, an Executive Director, two Non-Independent Non-Executive Directors and three Independent Non-Executive Directors. In accordance with the Insurance Act, 1996, all Directors are appointed to the Board after prior approval has been obtained from BNM.

During the financial year ended 30 June 2009, six (6) Board Meetings were held and the attendance of the Directors was as follows:-

<b>Directors</b>	<b>Attendance</b>
YBhg Tan Sri Quek Leng Chan (Chairman)	6/6
YBhg Datuk Dr Hussein Awang	6/6
Mr Tan Keok Yin	6/6
YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong	6/6
Mr Choong Yee How	6/6
Mr Quek Kon Sean	6/6
Mr Charlie Espinola Oropeza (Resigned on 01 June 2009)	6/6

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**Supply of Information**

To fulfill the responsibilities set out above, all Directors have access to the advice and services of the Company Secretary as well as to independent professional advice, including the Internal Auditors.

**Re-election**

All Directors are required to submit themselves for re-election every three years.

**Nomination Committee**

The present members of the Nomination Committee are as follows:-

YBhg Datuk Dr Hussein Awang (Chairman, Independent Non-Executive Director)

YBhg Tan Sri Quek Leng Chan (Non-Independent Non-Executive Director)

Mr Tan Keok Yin (Independent Non-Executive Director)

YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong

(Independent Non-Executive Director)

Mr Choong Yee How (Non-Independent Non-Executive Director)

The Nomination Committee's responsibilities include:-

- (i) Recommending to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer;
- (ii) Reviewing and recommending to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer;
- (iii) Reviewing annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required;
- (iv) Assessing annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual Director to the effectiveness of the Board and various Board committees based on criteria approved by the Board;
- (v) Overseeing the appointment, management succession planning and performance evaluation of key senior management officers and recommending their removal if they are found ineffective, errant and negligent in discharging their responsibilities; and
- (vi) Ensuring that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2009, three (3) Nomination Committee meetings were held and the meetings were attended by all the members.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Directors' Remuneration**

**Remuneration Committee**

The present members of the Remuneration Committee are as follows:-

YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong  
(Chairman, Independent Non-Executive Director)

YBhg Tan Sri Quek Leng Chan (Non-Independent Non-Executive Director)

Mr Tan Keok Yin (Independent Non-Executive Director)

The Remuneration Committee's responsibilities include:-

- (i) Recommending to the Board the framework governing the remuneration of the Directors, the Chief Executive Officer and key senior officers; and
- (ii) Reviewing and recommending to the Board the specific remuneration packages of Executive Directors, the Chief Executive Officer and key senior officers.

During the financial year ended 30 June 2009, one (1) Remuneration Committee Meeting was held and the meeting was attended by all the members.

**Procedure**

The fees of Directors, including Non-Executive Directors, are recommended and endorsed by the Board for approval by the shareholders of the company at the Annual General Meeting.

**Disclosure**

The remuneration of the Directors are set out in Note 32(c) to the financial statements.



**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**C. Accountability and Audit**

**Board Audit and Risk Management Committee (“BARMC”)**

The financial reporting and internal control system of the Group is overseen by the BARMC, which comprises the following members:-

YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong (Chairman,  
Independent Non-Executive Director)

YBhg Datuk Dr Hussein Awang (Independent Non-Executive Director)

Mr Tan Keok Yin (Independent Non-Executive Director)

The primary responsibilities of the BARMC are:-

- (i) To review the audit plan, audit charter and budget of the Internal Audit Department as well as the scope of internal audit procedures and to ensure that the Internal Audit Department is distinct and has the appropriate status within the overall organisation structure for the internal auditors to achieve their audit objectives;
- (ii) To review the overall internal management system, in particular, financial status of the Group, its internal controls in critical areas of operations, risks and implications of the internal audit findings and recommendations;
- (iii) To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Chief Internal Auditor and senior officers of the internal audit functions;
- (iv) To review with the external auditors, the scope of their audit and audit reports, including their findings, issues or reservations arising from the interim and financial audits and any action to be taken by management;
- (v) To consider the provision of non-audit services by the external auditors;
- (vi) To review and assess the objectivity, performance and independence of the external auditors and to recommend the appointment or re-appointment of external auditors and to review and assess fees paid to the external auditors for their audit and non-audit services;
- (vii) To review the Chairman's statement, corporate governance disclosures in the Directors' report, interim financial reports and all representation letters by management in relation to the financial audit of the Group;
- (viii) To review related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or conduct that raises questions of management integrity;

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**C. Accountability and Audit (cont'd)**

**Board Audit and Risk Management Committee ("BARMC") (cont'd)**

- (ix) To ensure prompt publication of annual report of the Group. The Board is duty bound to ensure that accounts are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with frequent reviews of the adequacy of provisions and to ensure supervisory issues raised by Bank Negara Malaysia are resolved in a timely manner;
- (x) To report and recommend to the Board measures:
  - (a) to identify all critical business risks faced by the Group;
  - (b) to improve risk management strategies and policies proposed by management; and
  - (c) to monitor and evaluate that risks have been managed effectively.
- (xi) To review the implementation of the Risk Management Framework and risk management activities and reports; and
- (xii) Other functions as may be determined by the Board.

During the financial year ended 30 June 2009, six (6) BARMC meetings were held and the attendance of the Directors was as follows:-

<b>Directors</b>	<b>Attendance</b>
YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong	6/6
YBhg Datuk Dr Hussein Awang	6/6
Mr Tan Keok Yin	6/6

The Group Chief Internal Auditor reports directly to the BARMC and provides the BARMC and management with an independent assessment of the adequacy of risk management practice. Significant breaches and deficiencies identified are discussed with the BARMC and remedial actions taken by management are reported to and monitored by the BARMC.

**Financial Reporting**

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. Reports on the financial condition and performance of the Group are reviewed at Board meetings.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**C. Accountability and Audit (cont'd)**

**Internal Controls and Operational Risk Management**

The Board has overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations.

The Group has established authority limits and internal controls to manage operational risks. Authority limits and the system of internal controls are reviewed regularly to ensure continuous improvement in the control environment.

The Group has increased the security controls for its Information Technology systems and has in place business resumption and contingency plans that can ensure continued operation of mission critical functions.

**Management Accountability**

The Group operates in an organisational structure and environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment. Human resource procedures of the Group provide for the setting of goals and training of each employee. The Group conducts formal appraisals for each employee on an annual basis.

The Group has an office of Corporate Communications to guide its communication policy.

**Corporate Independence**

The Company has complied with BNM's Guidelines JPI/GPI 19 on Related Party Transactions. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 32 to the financial statements.

**Public Accountability**

As a custodian of public funds, the Group's dealings with the public are always conducted fairly, honestly and professionally. All staff of the Group are required to comply with the Code of Ethics and Conduct.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**C. Accountability and Audit (cont'd)**

**Relationship with Auditors**

The external auditors are appointed on the recommendation by the BARMC, who determines the remuneration of the external auditors. The external auditors meet with the BARMC to:-

- (i) Present the scope of the audit before the commencement of audit; and
- (ii) Review the results of the financial year as well as the Internal Control letter after the conclusion of the audit.

**DIRECTORATE**

The Directors in office since the date of the last report are:-

YBhg Tan Sri Quek Leng Chan  
YBhg Datuk Dr Hussein Awang  
Mr Tan Keok Yin  
YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong  
Mr Choong Yee How  
Mr Quek Kon Sean  
Mr Charlie Espinola Oropeza (Resigned on 01 June 2009)

In accordance with Article 109 of the Company's Articles of Association, Mr Choong Yee How and Mr Quek Kon Sean retire by rotation from the Board and, being eligible, offer themselves for re-election.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**DIRECTORS' INTERESTS**

No Director holding office at the end of the financial year had any beneficial interest in the ordinary shares/warrants/options/irredeemable convertible unsecured loan stocks of the Company and/or related corporations during the financial year ended 30 June 2009 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, except for YBhg Tan Sri Quek Leng Chan, Mr Choong Yee How and Mr Quek Kon Sean whose beneficial interests are disclosed in the Directors' Report of the holding company as provided for under Section 134 of the said Act whilst the beneficial interests of YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong is as follows:-

	<b>Nominal value per share RM</b>	<b>Shareholdings in which Directors have direct interests Number of ordinary shares to be issued arising from the exercise of warrants/ irredeemable convertible unsecured loan stocks</b>			
		<b><u>As at 1-7-2008</u></b>	<b><u>Acquired</u></b>	<b><u>Sold</u></b>	<b><u>As At 30-6-2009</u></b>
Shareholdings in which Directors have direct interests:					
<b>Interests of YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong in:</b>					
Hong Leong Industries Berhad	0.50	8,000	-	-	8,000
Hong Leong Financial Group Berhad	1.00	268,643	-	-	268,643
Hume Industries (Malaysia) Berhad	1.00	5,333	-	-	5,333
GuocoLand (Malaysia) Berhad	0.50	151,171	-	-	151,171
Hong Leong Bank Berhad	1.00	30,000	-	-	30,000

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**DIRECTORS' INTERESTS (CON'D)**

**Shareholdings in which Directors have direct interests**  
**Number of ordinary shares to be**  
**issued arising from the exercise of warrants/**  
**irredeemable convertible unsecured loan stocks**

	<b>Nominal value per share RM</b>	<b>As at 1-7-2008</b>	<b>Acquired</b>	<b>Sold</b>	<b>As At 30-6-2009</b>
Shareholdings in which Director has indirect interests:					
<b>Interests of</b>					
<b>YBhg Dato' Chua Chuan Lim @</b>					
<b>Dato' Chua Chuan Teong in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Financial Group Berhad	1.00	11,620,479	63,000	-	11,683,479
Hong Leong Bank Berhad	1.00	135,000	20,000	-	155,000
Hong Leong Industries Berhad	0.50	2,284,848	13,000	-	2,297,848
Narra Industries Berhad	1.00	10,000	-	-	10,000
GuocoLand (Malaysia) Berhad	0.50	3,335,485	-	-	3,335,485

## **COMPANY NUMBER (94613-X)**

### **HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

## **DIRECTORS' REPORT (CONT'D)**

### **DIRECTORS' BENEFITS**

No Director of the Company has since the end of the previous financial year received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares or options over shares or debentures of the Company or any other body corporate other than the options granted pursuant to the Executive Share Option Scheme of Hong Leong Financial Group Berhad, the holding company of the Company.

### **SIGNIFICANT EVENT DURING THE YEAR**

On 21 November 2008, the holding company, Hong Leong Financial Group Berhad ("HLFG") obtained the approval of Bank Negara Malaysia for the proposed rationalisation scheme to streamline and consolidate HLFG's equity holdings in its insurance company Hong Leong Insurance (Asia) Limited (formerly known as Dao Heng Insurance Co., Limited) ("HLIA") in Hong Kong and its takaful operator, Hong Leong Tokio Marine Takaful Berhad ("HLTMT"), under HLA Holdings Sdn Bhd ("HLAH"), an intermediate insurance holding company wholly-owned by HLFG, involving the following:

- (i) Proposed transfer of 100% equity interest in HLIA from Allstate Health Benefits Sdn Bhd, ("Allstate") a wholly-owned subsidiary of Hong Leong Assurance Berhad (HLA) to HLAH;
- (ii) Proposed transfer of 10% equity interest in HLTMT from HLA to HLAH; and
- (iii) Proposed acquisition by HLAH of 55% equity interest in HLTMT from Hong Leong Bank Berhad.

Subsequent to the financial year, the proposed transfer of 100% equity interest in HLIA from Allstate, a wholly-owned subsidiary of HLA, to HLAH was completed on 31 July 2009.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT (CONT'D)**

**ULTIMATE HOLDING COMPANIES**

The immediate and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

**AUDITORS**

The auditors, Messrs PricewaterhouseCoopers, have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their circular of resolution.

.....  
YBhg Dato' Chua Chuan Lim @  
Dato' Chua Chuan Teong

.....  
Choong Yee How

Kuala Lumpur  
25 August 2009



**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**BALANCE SHEETS AS AT 30 JUNE 2009**

	Note	2009		2008	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>ASSETS</b>					
<b>General business and</b>					
<b>Shareholders' fund assets</b>					
Property, plant and equipment	3(a)	32,899	14,619	32,920	15,718
Prepaid lease payments	4	1,362	1,362	1,378	1,378
Intangible assets	5	17,809	4,195	21,959	8,345
Subsidiary companies	6	-	75,032	-	75,032
Investments	8(a)	600,839	564,094	635,570	552,761
Deferred tax assets	10	549	1,301	-	-
Assets held for sale	11	60	60	60	60
Receivables	12	128,756	123,044	129,443	124,764
Cash and bank balances		57,812	22,210	27,885	25,063
		-----	-----	-----	-----
<b>Total General business and</b>					
<b>Shareholders' fund assets</b>		840,086	805,917	849,215	803,121
<b>Total Life business assets (page 20)</b>		5,071,731	5,071,731	4,626,279	4,626,279
		-----	-----	-----	-----
<b>TOTAL ASSETS</b>		5,911,817	5,877,648	5,475,494	5,429,400
		=====	=====	=====	=====
<b>LIABILITIES</b>					
<b>General business and</b>					
<b>Shareholders' fund liabilities</b>					
Provision for outstanding claims	13	167,669	161,661	162,200	156,927
Payables	14	66,485	59,177	67,419	60,071
Tax payable		15,897	15,268	17,504	16,784
Deferred tax liabilities	10	-	-	2,019	1,345
		-----	-----	-----	-----
<b>Total General business and</b>					
<b>Shareholders' fund liabilities</b>		250,051	236,106	249,142	235,127
<b>Total Life business liabilities</b>					
<b>(page 20)</b>		568,339	568,339	509,149	509,149
		-----	-----	-----	-----
		818,390	804,445	758,291	744,276
		-----	-----	-----	-----

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**BALANCE SHEETS AS AT 30 JUNE 2009 (CONT'D)**

	Note	2009		2008	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
Unearned premium reserves	15	96,334	84,837	134,594	123,563
Life policyholders' fund	16	4,137,452	4,137,452	3,802,789	3,802,789
Investment-linked unitholders' fund	27(a)	365,940	365,940	314,341	314,341
		-----	-----	-----	-----
		4,599,726	4,588,229	4,251,724	4,240,693
		-----	-----	-----	-----
<b>TOTAL LIABILITIES</b>		<b>5,418,116</b>	<b>5,392,674</b>	<b>5,010,015</b>	<b>4,984,969</b>
		-----	-----	-----	-----
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	17	200,000	200,000	200,000	200,000
Reserves	18	293,701	284,974	265,479	244,431
		-----	-----	-----	-----
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>493,701</b>	<b>484,974</b>	<b>465,479</b>	<b>444,431</b>
		-----	-----	-----	-----
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>5,911,817</b>	<b>5,877,648</b>	<b>5,475,494</b>	<b>5,429,400</b>
		=====	=====	=====	=====

*The accompanying notes form an integral part of the financial statements.*

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

		2009		2008	
	Note	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>Operating revenue</b>	19	1,541,592	1,499,407	1,486,294	1,434,019
		=====	=====	=====	=====
Shareholders' fund:					
Management expenses	21	(3,024)	(1,958)	(2,266)	(2,263)
Investment income	22	5,702	17,907	4,021	4,010
Other operating (expense) / income - net	23	(11,580)	(1,368)	775	693
		-----	-----	-----	-----
		(8,902)	14,581	2,530	2,440
Surplus transferred from:					
- General business (pages 18 & 19)		38,576	33,523	48,160	44,491
- Life business (page 21)		57,000	57,000	55,000	55,000
		-----	-----	-----	-----
<b>Profit before taxation</b>		86,674	105,104	105,690	101,931
Taxation	24	(21,714)	(21,061)	(26,774)	(26,290)
		-----	-----	-----	-----
<b>Profit for the financial year</b>		64,960	84,043	78,916	75,641
		=====	=====	=====	=====
<b>Earnings per share (sen)</b>					
- Basic	26	32.48		39.46	
		=====		=====	

*The accompanying notes form an integral part of the financial statements.*

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**GENERAL INSURANCE REVENUE ACCOUNT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Note	Fire		Motor		Marine Aviation & Transit		Miscellaneous		Total	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Group</b>											
Gross premium	19	136,453	161,981	48,062	68,564	30,347	50,677	144,254	194,777	359,116	475,999
Reinsurance		(63,101)	(76,237)	(4,966)	(4,096)	(13,171)	(18,865)	(46,252)	(60,612)	(127,490)	(159,810)
Net premium		73,352	85,744	43,096	64,468	17,176	31,812	98,002	134,165	231,626	316,189
Decrease/(increase) in unearned premium reserves	15	8,902	3,805	11,268	(2,531)	4,331	(461)	14,689	5,703	39,190	6,516
Earned premium		82,254	89,549	54,364	61,937	21,507	31,351	112,691	139,868	270,816	322,705
Net claims incurred	20	(22,425)	(27,200)	(50,962)	(46,038)	(12,241)	(18,258)	(69,337)	(95,363)	(154,965)	(186,859)
Net commission		(5,212)	(5,543)	(4,351)	(6,531)	(1,370)	(4,420)	(9,254)	(17,126)	(20,187)	(33,620)
Underwriting surplus / (deficit) before management expenses		54,617	56,806	(949)	9,368	7,896	8,673	34,100	27,379	95,664	102,226
Management expenses	21									(72,525)	(78,747)
Underwriting surplus										23,139	23,479
Investment income	22									17,757	21,016
Other operating (expense) / income - net	23									(2,320)	3,665
Surplus transferred to Income Statement (page 17)										38,576	48,160

*The accompanying notes form an integral part of the financial statements.*

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**GENERAL INSURANCE REVENUE ACCOUNT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Note	Fire		Motor		Marine Aviation & Transit		Miscellaneous		Total	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Company</b>											
Gross premium	19	114,191	142,650	48,062	68,564	29,827	49,648	112,646	164,943	304,726	425,805
Reinsurance		(47,909)	(64,020)	(4,966)	(4,096)	(12,931)	(18,314)	(33,687)	(49,786)	(99,493)	(136,216)
Net premium		66,282	78,630	43,096	64,468	16,896	31,334	78,959	115,157	205,233	289,589
Decrease/(increase) in unearned premium reserves	15	8,745	3,530	11,268	(2,531)	4,318	(469)	14,395	6,399	38,726	6,929
Earned premium		75,027	82,160	54,364	61,937	21,214	30,865	93,354	121,556	243,959	296,518
Net claims incurred	20	(21,020)	(25,529)	(50,962)	(46,038)	(12,256)	(18,256)	(59,675)	(85,831)	(143,913)	(175,654)
Net commission		(7,949)	(7,423)	(4,351)	(6,531)	(1,319)	(4,387)	(11,619)	(19,064)	(25,238)	(37,405)
Underwriting surplus / (deficit) before management expenses		46,058	49,208	(949)	9,368	7,639	8,222	22,060	16,661	74,808	83,459
Management expenses	21									(56,722)	(62,638)
Underwriting surplus										18,086	20,821
Investment income	22									17,757	18,946
Other operating (expense) / income - net	23									(2,320)	4,724
Surplus transferred to Income Statement (page 17)										33,523	44,491

*The accompanying notes form an integral part of the financial statements.*

**COMPANY NUMBER 94613-X****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**LIFE FUND BALANCE SHEET AS AT 30 JUNE 2009**

		<b>Group and Company</b>	
		<b>2009</b>	<b>2008</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Property, plant and equipment	3(b)	83,407	9,747
Prepaid lease payments	4	1,427	1,453
Intangible assets	5	5,505	9,847
Investment properties	7	221,600	211,600
Investments	8(b)	3,701,198	3,446,854
Loans	9	620,281	556,612
Deferred tax assets	10	-	206
Receivables	12	68,856	66,636
Cash and bank balances		1,782	6,823
Investment-linked business assets	27(a)	367,675	316,501
		-----	-----
<b>TOTAL ASSETS</b>		<b>5,071,731</b>	<b>4,626,279</b>
		=====	=====
<b>LIABILITIES</b>			
Provision for outstanding claims	13	35,863	36,884
Payables	14	471,081	409,728
Tax payable		1,780	3,205
Deferred tax liabilities	10	200	-
Amount due to General Insurance Fund		577	2,059
Amount due to Shareholders' Fund		57,103	55,113
Investment-linked business liabilities	27(a)	1,735	2,160
		-----	-----
<b>TOTAL LIABILITIES</b>		<b>568,339</b>	<b>509,149</b>
Life policyholders' fund	16	4,137,452	3,802,789
Investment-linked unitholders' fund	27(a)	365,940	314,341
		-----	-----
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>5,071,731</b>	<b>4,626,279</b>
		=====	=====

*The accompanying notes form an integral part of the financial statements.*

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**LIFE FUND REVENUE ACCOUNT FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2009**

		<b>Group and Company</b>	
	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Gross premium</b>	19	921,704	782,117
Reinsurance		(59,369)	(50,906)
		-----	-----
<b>Net premium</b>		862,335	731,211
		-----	-----
<b>Benefit paid/payable:</b>			
Maturities		(115,359)	(64,561)
Surrenders		(119,223)	(117,479)
Death claims		(27,405)	(35,555)
Other claims		(40,117)	(29,119)
Cash bonus		(86,648)	(80,209)
		-----	-----
		388,752	(326,923)
		-----	-----
		473,583	404,288
Commissions and agency expenses		(151,777)	(130,642)
Management expenses	21	(66,165)	(62,009)
		-----	-----
		253,561	211,637
Investment income	22	237,313	203,141
Other operating expenses - net	23	(32,600)	(34,839)
		-----	-----
<b>Surplus from operations before taxation</b>		458,274	379,939
Taxation	24	(15,012)	(13,275)
		-----	-----
<b>Surplus after taxation</b>		443,262	366,664
<b>Increase in Investment-linked fund</b>	27(b)	(51,599)	(29,127)
		-----	-----
		391,663	337,537
<b>Life policyholders' fund at the beginning of the financial year</b>		3,802,789	3,520,252
Transferred to Income Statement (page 17)		(57,000)	(55,000)
		-----	-----
<b>Life policyholders' fund at the end of the financial year</b>		4,137,452	3,802,789
		=====	=====

*The accompanying notes form an integral part of the financial statements.*

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Issued and fully paid ordinary shares of RM1 each		Undistributable	Distributable	Total RM'000
	No. of shares	Share capital RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	
<b>The Group</b>					
<b>At 1 July 2007</b>	200,000	200,000	(7,963)	228,957	420,994
Profit for the financial year	-	-	-	78,916	78,916
Foreign exchange difference arising	-	-	(4,431)	-	(4,431)
Dividend for the financial year ended 30 June 2008 (Note 25)	-	-	-	(30,000)	(30,000)
	-----	-----	-----	-----	-----
<b>At 30 June 2008</b>	200,000	200,000	(12,394)	277,873	465,479
Profit for the financial year	-	-	-	64,960	64,960
Foreign exchange difference arising	-	-	6,762	-	6,762
Dividend for the financial year ended 30 June 2009 (Note 25)	-	-	-	(43,500)	(43,500)
	-----	-----	-----	-----	-----
<b>At 30 June 2009</b>	200,000	200,000	5,632	299,333	493,701
	=====	=====	=====	=====	=====
<b>The Company</b>					
<b>At 1 July 2007</b>	200,000	200,000	-	198,790	398,790
Profit for the financial year	-	-	-	75,641	75,641
Dividend for the financial year ended 30 June 2008 (Note 25)	-	-	-	(30,000)	(30,000)
	-----	-----	-----	-----	-----
<b>At 30 June 2008</b>	200,000	200,000	-	244,431	444,431
Profit for the financial year	-	-	-	84,043	84,043
Dividend for the financial year ended 30 June 2009 (Note 25)	-	-	-	(43,500)	(43,500)
	-----	-----	-----	-----	-----
<b>At 30 June 2009</b>	200,000	200,000	-	284,974	484,974
	=====	=====	=====	=====	=====

*The accompanying notes form an integral part of the financial statements.*



**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**GROUP CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2009**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	86,674	105,690
Adjustments for:-		
Allowance of doubtful debts	(11)	1,473
Bad debts written off	1,969	1,029
Depreciation of property, plant and equipment	6,612	6,342
Amortisation of prepaid lease payments	42	43
Amortisation of intangible assets	8,862	10,717
Gain on sale of property, plant and equipment	(318)	(202)
Gain on sale of assets held for sale	-	(10)
Decrease in unearned premium reserves	(39,190)	(6,516)
Life fund underwriting surplus	458,274	379,939
Transfer of Life fund surplus to Income Statement	(57,000)	(55,000)
Loss / (gain) on sale of investments	35,666	(50,545)
Accretion of discount	(15,080)	(4,924)
Allowance for diminution in value of quoted investments	12,451	91,627
Write down of cost of quoted investment	4,396	96
(Increase)/decrease in value of investments in		
Investment-linked business	(4,522)	53,132
Provision for staff retirement benefits	132	181
Property, plant and equipment written off	5	1
Fair value gain of investment properties	(10,000)	(10,000)
Unrealised foreign exchange loss/(gain)	11,038	(3,591)
Realised foreign exchange (gain)/loss	(462)	228
	-----	-----
Cash flow generated before working capital changes	499,538	519,710
	-----	-----
Changes in assets and liabilities:-		
Proceeds from sale and redemption of investments	693,102	1,529,146
Purchase of investments	(1,352,565)	(1,965,058)
Maturity of Malaysian Government Securities and		
other government guaranteed low risk assets	58,550	142,660
Decrease/(increase) in fixed and call deposits	291,713	(243,384)
Decrease in amounts due from insureds,		
agents, brokers and reinsurers	11,102	41,598
Increase in amounts due to insureds, agents,		
brokers and reinsurers	47,625	113,755
Increase in other receivables	(12,879)	(15,719)
Decrease in other payables	14,566	(21,548)
(Decrease) / increase in outstanding claims	4,003	29,662
Increase in loans	(63,669)	(60,451)
	-----	-----
	(308,452)	(449,339)
	-----	-----

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**GROUP CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2009 (CONT'D)**

	Note	2009 RM'000	2008 RM'000
Cash generated from operations		191,086	70,371
Income taxes paid		(43,661)	(43,419)
Staff retirement benefit paid		(36)	-
		-----	-----
Net cash generated from operating activities	28	147,389	26,952
		-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		57	450
Proceeds from sale of asset held for sale		-	760
Purchase of plant and equipment		(78,547)	(2,393)
Purchase of intangible assets		(270)	(1,310)
		-----	-----
Net cash used in investing activities	28	(78,860)	(2,493)
		-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Dividends paid		(43,500)	(30,000)
		-----	-----
Net cash used in financing activities	28	(43,500)	(30,000)
		-----	-----
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		25,029	(5,541)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		35,221	41,005
<b>EXCHANGE DIFFERENCES</b>		208	(243)
		-----	-----
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>28</b>	<b>60,458</b>	<b>35,221</b>
		=====	=====

*The accompanying notes form an integral part of the financial statements.*

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**COMPANY CASH FLOW STATEMENT FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2009**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	105,104	101,931
Adjustments for:-		
Allowance of doubtful debts	(11)	1,473
Bad debts written off	1,969	-
Depreciation of property, plant and equipment	5,883	5,381
Amortisation of prepaid lease payments	42	43
Amortisation of intangible assets	8,862	10,717
Gain on sale of property, plant and equipment	(318)	(202)
Gain on sale of assets held for sale	-	(10)
Decrease in unearned premium reserves	(38,726)	(6,929)
Life fund underwriting surplus	458,274	379,939
Transfer of Life fund surplus to Income Statement	(57,000)	(55,000)
Loss / (gain) on sale of investments	29,291	(53,066)
(Increase)/decrease in value of investments in investment-linked business	(4,522)	53,132
Accretion of discount	(15,080)	(4,924)
Allowance for diminution in value of investments	12,451	91,627
Write down of cost of quoted investment	4,396	96
Provision for staff retirement benefits	132	181
Fair value gain of investment properties	(10,000)	(10,000)
Unrealised foreign exchange loss/(gain)	7,561	(3,591)
Realised foreign exchange (gain)/loss	(462)	228
	-----	-----
Cash flow generated before working capital changes	507,846	511,026
	-----	-----
Changes in assets and liabilities:-		
Proceeds from sale and redemption of investments	642,348	1,318,418
Purchase of investments	(1,299,908)	(1,770,325)
Maturity of Malaysian Government Securities and other government guaranteed low risk assets	58,550	142,660
Decrease / (increase) in fixed and call deposits	246,776	(216,993)
Decrease in amounts due from insureds, agents, brokers and reinsurers	11,681	40,990
Increase in amounts due to insureds, agents, brokers and reinsurers	47,625	112,657
Increase in other receivables	(12,879)	(16,976)
Increase/(decrease) in other payables	15,286	(19,487)
Increase in outstanding claims	3,713	29,583
Increase in loans	(63,669)	(60,451)
	-----	-----
	(350,477)	(439,924)
	-----	-----

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**COMPANY CASH FLOW STATEMENT FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2009 (CONT'D)**

	Note	2009 RM'000	2008 RM'000
Cash generated from operations		157,369	71,102
Income taxes paid		(42,879)	(42,777)
Staff retirement benefit paid		(36)	-
		-----	-----
Net cash generated from operating activities	28	114,454	28,325
		-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		420	450
Proceeds from sale of asset held for sale		-	760
Purchase of property, plant and equipment		(78,547)	(2,032)
Purchase of intangible assets		(370)	(1,310)
		-----	-----
Net cash used in investing activities	28	(78,497)	(2,132)
		-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Dividends paid		(43,500)	(30,000)
		-----	-----
Net cash used in financing activities	28	(43,500)	(30,000)
		-----	-----
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(7,543)	(3,807)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		32,399	36,206
		-----	-----
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>28</b>	24,856	32,399
		=====	=====

*The accompanying notes form an integral part of the financial statements.*

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**1. PRINCIPAL ACTIVITIES**

The Company is engaged in the underwriting of life and general insurance businesses and investment holding, whilst the principal activities of the subsidiary companies are stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Group and the Company are consistent with those adopted in the previous financial year, unless otherwise indicated in the accounting policies below:-

**(a) Basis of preparation of the financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the Financial Reporting Standards (“FRSs”) in Malaysia, the provisions of the Companies Act, 1965, the Insurance Act, 1996 and relevant Guidelines/Circulars issued by Bank Negara Malaysia in all material aspects.

The preparation of financial statements in conformity with the FRSs requires Directors and management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in the following notes:-

Note 2(c) - Intangible assets

Note 2(i) - Provision for claims

Note 2(k) - Actuarial valuation of Life Policyholders’ fund

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(a) Basis of preparation of the financial statements (cont'd)**

**(i) Standards, amendments to published standards and interpretations that are applicable and relevant to the Group and the Company**

There are no new accounting standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Group and the Company for the financial year ended 30 June 2009.

**(ii) Standards, amendments to published standards and interpretations that are applicable to the Group and the Company but not yet effective and have not been early adopted**

At the date of authorisation of these financial statements, the following new FRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

<b>Standard/Interpretation</b>	<b>Effective date</b>
FRS 4 - Insurance Contracts	1 July 2010
FRS 7 - Financial Instruments – Disclosures	1 July 2010
FRS 139 - Financial Instruments– Recognition and Measurement	1 July 2010

The Group and the Company have applied the transitional provision in FRS 4, 7 and 139 which exempts entities from disclosing the possible impact arising from initial application of these standards on the financial statements of the Group and of the Company.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(a) Basis of preparation of the financial statements (cont'd)**

**(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant to the Group and the Company**

<b>Standard/Interpretation</b>	<b>Effective date</b>
Amendments to FRS 1& FRS 127	First-time adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in A Subsidiary, Joint Controlled Entities or Associate 1 July 2010
Amendments to FRS 2	Vesting Conditions and Cancellations 1 July 2010
FRS 8	Operating Segments 1 July 2009
FRS 123	Borrowing Costs 1 July 2010
IC Interpretation 9	Reassessment of Embedded Derivatives 1 July 2010
IC Interpretation 10	Interim Financial Reporting and Impairment 1 July 2010
IC Interpretation 11	FRS 2 Group and Treasury Share Transaction 1 July 2010
IC Interpretation 13	Customer Loyalty Programmes 1 July 2010
IC Interpretation 14	FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions 1 July 2010

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(b) Basis of consolidation**

##### **Subsidiaries**

The Group's financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Subsidiaries are all entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated using the purchase method of accounting from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains or losses on transactions between group of companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.



**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(c) Intangible assets**

**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'Intangible Assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing using the value-in-use method which requires the use of estimates. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

In testing whether impairment is necessary, the value-in-use of the cash-generating unit is determined using a post-cash flow projections based on financial budgets approved by the Directors of the Company and of the subsidiary company over a 3-year period. The calculations require the use of estimates amongst others, growth in business written, investment returns and loss incurred ratios. Based on the reasonableness assessment performed on the variables used in the impairment assessment, the Directors are of the opinion that the carrying amount of the goodwill is not impaired.

**Computer software**

Computer software licenses acquired separately are capitalised on the basis of the costs incurred to acquire and bring the asset for its intended use. These costs are amortised over their estimated useful lives estimated to be 5 years.

Costs that are directly associated with knowledge based software and computer applications which are unique to the requirements of the insurance business are recognised as 'Intangible Assets'. These software and applications are expected to generate economic benefits beyond one year. Direct attributable costs include the software development employee costs and an appropriate portion of relevant overheads to prepare the asset for its intended use. These costs are recognised as assets and amortised over their useful lives estimated to be 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when it is incurred.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(d) Property, plant and equipment and depreciation (cont'd)**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the carrying amount of the assets when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably estimated. All other repairs and maintenance are charged to the income statements or revenue accounts during the financial year which they are incurred.

Freehold land and capital work-in-progress are not depreciated. Depreciation of other property, plant and equipment is calculated to write off the cost of the assets to their residual values over the estimated useful lives, summarised as follows:

Leasehold buildings	Over the remaining period of the lease or 50 years whichever is shorter
Freehold buildings	50 years
Office renovation, equipment and furniture and fittings	5 – 10 years
Motor vehicles	5 years

Depreciation on assets identified as capital work-in-progress commence when the assets are ready for their intended use.

The residual value and useful lives of assets are reviewed and adjusted if appropriate at each balance sheet date.

At each balance sheet date, the company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy note 2(h) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are credited or charged to the income statements or revenue accounts.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(e) Prepaid lease payments**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and the rewards are classified as operating leases, other than a property held under operating leases for investment purpose which meets the definition of an investment property on a property by property basis.

The minimum lease payments including up-front payments made for leasehold land and building are allocated between land and buildings elements in proportion to the relative fair values of leasehold interest in the land element and the buildings element at the inception of the lease.

Leasehold land that normally has an indefinite economic life and if title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The up-front payment made for the leasehold land represents prepaid lease payments that are amortised on a straight line basis over the lease term.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings may be treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the building is regarded as the economic life of the entire leased asset.

#### **(f) Investment properties**

Investment properties are properties which are held either for rentals or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(f) Investment properties (cont'd)**

Investment properties are subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment properties differ materially from the fair values. All gains or losses arising from a change in fair value of an investment property are recognised in the revenue accounts.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the revenue accounts in the financial year in which they arise.

**(g) Investments**

Investments in Malaysian Government Securities, Cagamas bonds and other Government guaranteed bonds, which are collectively categorised as other government guaranteed low risk assets, quoted and unquoted corporate debenture and bonds are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on a constant yield basis over the period from the date of acquisition to maturity. The amortisation of premiums and accretion of discounts are recognised in the income statements and/or revenue accounts.

Quoted equities and unit trusts are stated at the lower of cost and market value determined on the aggregate basis by category of investments, except that if diminution in value of a particular investment is not regarded as temporary, specific allowance is made against the value of that investment. Market value is determined by reference to the stock exchange closing prices at the balance sheet date.

Unquoted equities and unit trusts are stated at cost and an allowance for diminution in value is made. Where, in the opinion of the Directors, there is a decline other than temporary in the value of such investment, such a decline is recognised as an expense in the financial year in which the decline is identified.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(g) Investments (cont'd)**

Investments of investment-linked business, other than unquoted investments, are valued at the closing market prices at balance sheet date. Unquoted investments are valued at the indicative market prices quoted by financial institutions as at the balance sheet date. Any increase or decrease in value of these investments is recognised in the revenue accounts.

Structured investments are stated at prices quoted by the issuing bank.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is credited or charged to the income statement and/or revenue account.

**(h) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured where applicable, by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit. Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

The impairment loss is charged to the income statements and/or revenue accounts immediately. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements and/or revenue accounts immediately.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(i) General insurance underwriting results**

The general insurance underwriting results are determined for each class of business after taking into account, inter alia, unearned premium reserves, reinsurances, commissions, claims incurred and management expenses.

**Premium income**

Premium is recognised in a financial year in respect of risks assumed during that particular financial year. Premium from direct business is recognised during the financial year upon the issuance of insurance policies. Premium in respect of risks incepted for which insurance policies have not been raised as of the balance sheet date is accrued at that date. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting year as the original policy to which the reinsurance relates.

**Unearned premium reserves**

Unearned premium reserves ("UPR") are calculated for direct and reinsurance inwards business. UPR represents the portion of the net premiums of insurance policies written

that relate to the unexpired period of the policies at the end of the financial year. UPR are calculated based on the total gross premium less deductible reinsurance outwards and permitted deductions as follows:-

- (i) 25% method for marine cargo, aviation cargo and transit policies;
- (ii) 1/24 method for all other classes of Malaysian general business reduced by the permitted deductions;
- (iii) Time apportionment basis for policies with insurance periods other than 12 months; and
- (iv) 1/8 method for all classes of overseas reinsurance inwards business with a deduction of 20% for acquisition cost.

Under the Insurance Regulations 1996, the permitted deductions are the lower of actual acquisition cost and the maximum permitted deduction of:-

- (a) 15% of premium for fire, engineering, marine hull, cargo and aviation;
- (b) 10% of premium for motor, bonds and foreign workers' compensation scheme; and
- (c) 25% of the premium for personal accident, liabilities and other general insurance businesses.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(i) General insurance underwriting results (cont'd)**

**Provision for claims**

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date.

Provision is also made for the cost of claims, together with related expenses in respect of those incurred but not reported at balance sheet date ("IBNR"), based on an actuarial valuation by an independent qualified actuary.

The estimation of the provision for outstanding claims involves projection of the Group's and Company's future claims experience based on past and current claims experience.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience.

These uncertainties arise from changes in underlying risks, changes in spread of risk, claims settlement as well as uncertainties in the projection model and underlying assumptions.

**Acquisition costs**

The costs of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the periods in which they give rise to income.

Acquisition cost other than commissions are charged to the revenue accounts in the financial year in which they are incurred.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(j) Life insurance underwriting results**

The surplus transferable from the life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders made in accordance with the provisions of the Insurance Act, 1996 and related regulations by the Company's Appointed Actuary.

**Premium income**

Premium income of the life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Outward reinsurance premiums are recognised in the same accounting year as the original policies to which the reinsurance relates.

**Premium income**

Premium income from the investment-linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

**Commission and agency expenses**

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the revenue accounts in the period in which they are incurred.



**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(j) Life insurance underwriting results (cont'd)**

**Provision for claims**

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on life insurance policies including settlement costs less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:-

- (a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- (b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

**(k) Life policyholders' fund**

Life policyholders' fund represents the unallocated surplus and actuarial liabilities and it is considered sufficient to provide for liabilities under life policies in force as at balance sheet date.

The valuation of the ultimate liability arising from policy benefits made under life insurance contract is the Group and the Company's most critical accounting estimate. The valuation was determined with regard to the Insurance Regulations, 1996. In the case of life policies where the minimum valuation basis is specified under the Insurance Regulations, 1996, a reserve was set up such that it would not fall below the reserve determined on the minimum valuation basis.

For other policies where the nature of benefit suggested that the minimum valuation basis was not applicable, a reserve was set up such that this reserve together with future premiums would be sufficient to meet the future policy liabilities.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(k) Life policyholders' fund (cont'd)**

The mortality table employed for life policies was the Statutory Valuation Mortality Table ("SVMT") 1996 Ultimate mortality table. The rate of interest assumed was 4% per annum for regular premium policies, 4.5% for single premium policies.

The net liabilities in non-unit fund were calculated as 50% of the risk charges plus the provision for future agency related expenses ("ARE"). The provision of future ARE were calculated as present value of adjusted future ARE minus present value of the net premium. The net premium is the unallocated premium after deduction of agency commission.

The net liabilities in unit fund were calculated as the total asset value of each unit investment fund.

There is no change in valuation basis/method compared to the previous financial year.

The last statutory actuarial valuation of the Life policyholders' fund was at 30 June 2009, details of which are disclosed in Note 16 of the financial statements.

**(l) Other revenue recognition**

Interest income including the amount of amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the constant yield of the assets.

Rental income is recognised on an accrual basis, except where default in payment of rent has already occurred and rent due remains outstanding for over six months in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on receipt basis until all arrears have been paid.

Dividend income is recognised when the right to receive payment is established.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(m) Allowance for bad and doubtful debts**

Allowance is also made for any premiums including agent's balances or reinsurance balances which remain outstanding for more than six months from the date of inception of the risk, except for motor premiums for which allowance is made for amounts outstanding for more than 30 days. In addition, allowance is made for any reinsurance claims recoveries which remain outstanding for more than six months from the date of issuance of claims recovery debit notes. Known bad debts are written off in the financial period in which they are identified. Specific allowance is made for any debt considered to be doubtful of collection.

#### **(n) Taxation**

Taxation on the income statement and life fund revenue account comprises current and deferred tax. Current tax is the expected amount of tax payable in respect of the taxable income for the financial year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred taxation is provided in full using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### **(o) Foreign currencies**

##### **Functional and presentation currency**

The financial statements of the Group and Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **(o) Foreign currencies (cont'd)**

##### **Transaction and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements and/or revenue accounts.

##### **Group companies**

The results and financial position of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency that is different from the presentation currency are translated into the presentation currency as follows:-

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates), in which case income and expenses are translated using the exchange rate at the dates of the transactions; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(p) Dividends**

Dividends on ordinary shares are accounted for in the shareholders' equity as an appropriation of retained earnings in the period in which they are declared.

**(q) Cash and cash equivalents**

Cash and cash equivalents consists of cash and bank balances excluding fixed and call deposits.

**(r) Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy note associated with each item.

**(s) Assets held for sale**

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount are recovered principally through a sale transaction rather than through continuing use.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(t) Employee benefits**

**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions and other non-monetary benefits are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group and the Company.

**(ii) Defined contribution plans**

As required by law, companies in Malaysia and the Hong Kong subsidiary made contributions to the statutory pension schemes, the Employees Provident Fund and Mandatory Provident Fund respectively. Such contributions are recognised as an expense in their income statements and/or revenue accounts as incurred. Once the contributions have been paid, the Group has no further payment obligations.

**(iii) Equity compensation benefits**

A trust has been set up for the executive share option scheme (“ESOS”) by the immediate holding company, Hong Leong Financial Group (“HLFG”), for the Hong Leong Assurance Berhad ESOS, administered by an appointed trustee. The Company from time to time provided financial assistance to the trustee, upon such terms and conditions as HLFG and the trustee had agreed, for the purchase of such number of HLFG shares to satisfy the exercise of the share option by eligible executives of the Company for which BNM approval had been obtained. The financial assistance given to the trustee to purchase the HLFG shares for the purpose of the scheme was recorded as advances to trustee in the balance sheet.

**(u) Loans**

Loans include policy loans and premium loans extended by the Company to its policyholders which are secured on the cash surrender value of the insurance policies. Loans are stated at cost less any allowance for doubtful debts.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(v) Provisions**

Provisions are recognised when the Group or Company has a present legal constructive obligation as a result of past events. When it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

**(w) Contingent liabilities and contingent assets**

The Group and the Company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognized because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company do not recognise contingent assets but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**3. PROPERTY, PLANT AND EQUIPMENT**

**(a) General business and Shareholders' fund**

The Group	Freehold Land RM'000	Buildings		Office renovation, equipment & furniture RM'000	Motor vehicles RM'000	Total RM'000
		Freehold RM'000	Leasehold RM'000			
<b>Net book value</b>						
At 1-7-2008	2,896	987	20,942	7,335	760	32,920
Additions	-	-	-	1,831	68	1,899
Depreciation charge	-	(39)	(267)	(2,803)	(230)	(3,339)
Disposals	-	-	-	(5)	(26)	(31)
Foreign exchange	-	-	1,358	92	-	1,450
At 30-6-2009	2,896	948	22,033	6,450	572	32,899
<b>At 30-6-2009</b>						
Cost	2,896	1,448	25,291	42,092	1,367	73,094
Accumulated depreciation	-	(500)	(3,258)	(35,642)	(795)	(40,195)
Net book value	2,896	948	22,033	6,450	572	32,899
<b>At 30-6-2008</b>						
Cost	2,896	1,448	23,784	39,456	1,903	69,487
Accumulated depreciation	-	(461)	(2,842)	(32,121)	(1,143)	(36,567)
Net book value	2,896	987	20,942	7,335	760	32,920
Depreciation charge for the financial year ended 30 June 2008	-	39	258	3,037	271	3,605



**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

**(a) General business and Shareholders' fund**

The Company	Freehold Land RM'000	Buildings		Office renovation, equipment & furniture RM'000	Motor vehicles RM'000	Total RM'000
		Freehold RM'000	Leasehold RM'000			
<b>Net book value</b>						
At 1-7-2008	2,896	987	4,839	6,236	760	15,718
Additions	-	-	-	1,469	68	1,537
Depreciation charge	-	(39)	(118)	(2,223)	(230)	(2,610)
Disposals	-	-	-	-	(26)	(26)
	-----	-----	-----	-----	-----	-----
At 30-6-2009	2,896	948	4,721	5,482	572	14,619
	=====	=====	=====	=====	=====	=====
<b>At 30-6-2009</b>						
Cost	2,896	1,448	5,914	30,399	1,366	42,023
Accumulated depreciation	-	(500)	(1,193)	(24,917)	(794)	(27,404)
	-----	-----	-----	-----	-----	-----
Net book value	2,896	948	4,721	5,482	572	14,619
	=====	=====	=====	=====	=====	=====
<b>At 30-6-2008</b>						
Cost	2,896	1,448	5,914	28,929	1,903	41,090
Accumulated depreciation	-	(461)	(1,075)	(22,693)	(1,143)	(25,372)
	-----	-----	-----	-----	-----	-----
Net book value	2,896	987	4,839	6,236	760	15,718
	=====	=====	=====	=====	=====	=====
Depreciation charge for the financial year ended 30 June 2008	-	39	118	2,216	271	2,644
	=====	=====	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(b) **Life fund**

<b>The Group and Company</b>	<b>Leasehold Buildings RM'000</b>	<b>Office Renovation, Equipment &amp; Furniture RM'000</b>	<b>Motor Vehicles RM'000</b>	<b>Capital Work-in Progress RM'000</b>	<b>Total RM'000</b>
<b>Net book value</b>					
At 1-7-2008	643	7826	661	617	9,747
Additions	75,698	387	67	858	77,010
Depreciation charge	(649)	(2449)	(175)	-	(3,273)
Disposals	-	(1)	(76)	-	(77)
	-----	-----	-----	-----	-----
At 30-6-2009	75,692	5,763	477	1,475	83,407
	=====	=====	=====	=====	=====
<b>At 30-6-2009</b>					
Cost	76,603	30,651	872	1,475	109,601
Accumulated depreciation	(911)	(24,888)	(395)	-	(26,194)
	-----	-----	-----	-----	-----
Net book value	75,692	5,763	477	1,475	83,407
	=====	=====	=====	=====	=====
<b>At 30-6-2008</b>					
Cost	905	30,269	1,142	617	32,933
Accumulated depreciation	(262)	(22,443)	(481)	-	(23,186)
	-----	-----	-----	-----	-----
Net book value	643	7,826	661	617	9,747
	=====	=====	=====	=====	=====
Depreciation charge for the financial year ended 30 June 2008	19	2,511	207	-	2,737
	=====	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

The title to the leasehold building is in the process of being transferred to the Company. The risks, rewards and effective title to this property have been passed to the Company upon unconditional completion of the acquisition of these properties. The Company has submitted the relevant documents to the authorities for the transfer of legal title and is awaiting the process and finalisation of the transfer to be completed.

Included in property, plant and equipment of the General and Life funds are fully depreciated assets which are still in use as follows:-

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group</b>				
<b>Cost</b>				
Office renovation, equipment and furniture	22,526	20,168	10,379	9,817
Motor vehicles	341	369	72	71
	-----	-----	-----	-----
	22,867	20,537	10,451	9,888
	=====	=====	=====	=====
<b>The Company</b>				
<b>Cost</b>				
Office renovation, equipment and furniture	12,936	12,561	10,379	9,817
Motor vehicles	341	369	72	71
	-----	-----	-----	-----
	13,277	12,930	10,451	9,888
	=====	=====	=====	=====

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**4. PREPAID LEASE PAYMENTS**

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>The Group and the Company</b>				
<b>Net book value</b>				
At the beginning of the financial year	1,378	1,395	1,453	1,479
Amortisation charge (Note 21)	(16)	(17)	(26)	(26)
	-----	-----	-----	-----
At the end of the financial year	1,362	1,378	1,427	1,453
	=====	=====	=====	=====
<b>Cost</b>				
Accumulated amortisation	1,537	1,536	1,785	1,785
	(175)	(158)	(358)	(332)
	-----	-----	-----	-----
Net book value	1,362	1,378	1,427	1,453
	=====	=====	=====	=====
<b>Analysed by:</b>				
Unexpired lease period more than 50 years	1,362	1,378	452	458
Unexpired lease period less than 50 years	-	-	975	995
	=====	=====	=====	=====

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**5. INTANGIBLE ASSETS**

	General business and Shareholders' fund			Life fund
	Goodwill RM'000	Computer software RM'000	Total RM'000	Computer software RM'000
<b>The Group</b>				
<b>Net book value</b>				
At 1-7-2008	13,614	8,345	21,959	9,847
Additions	-	171	171	199
Amortisation charge (Note 21)	-	(4,321)	(4,321)	(4,541)
	-----	-----	-----	-----
At 30-6-2009	13,614	4,195	17,809	5,505
	=====	=====	=====	=====
<b>Net book value</b>				
At 1-7-2007	13,614	13,198	26,812	14,401
Additions	-	612	612	698
Amortisation charge (Note 21)	-	(5,465)	(5,465)	(5,252)
	-----	-----	-----	-----
At 30-6-2008	13,614	8,345	21,959	9,847
	=====	=====	=====	=====
<b>At 30-6-2009</b>				
Cost	13,614	33,703	47,317	32,336
Accumulated amortisation and impairment	-	(29,508)	(29,508)	(26,831)
	-----	-----	-----	-----
Net book value	13,614	4,195	17,809	5,505
	=====	=====	=====	=====
<b>At 30-6-2008</b>				
Cost	13,614	33,532	47,146	32,137
Accumulated amortisation and impairment	-	(25,187)	(25,187)	(22,290)
	-----	-----	-----	-----
Net book value	13,614	8,345	21,959	9,847
	=====	=====	=====	=====

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**5. INTANGIBLE ASSETS**

	<b>General business and shareholders' fund Computer software RM'000</b>	<b>Life fund Computer software RM'000</b>
<b>The Company</b>		
<b>Net book value</b>		
At 1-7-2008		
Cost	8,345	9,847
Additions	171	199
Amortisation charge (Note 21)	(4,321)	(4,541)
	-----	-----
At 30-6-2009	4,195	5,505
	=====	=====
<b>Net book value</b>		
At 1-7-2007		
Additions	13,198	14,401
Amortisation charge (Note 21)	612	698
	(5,465)	(5,252)
	-----	-----
At 30-6-2008	8,345	9,847
	=====	=====
<b>At 30-6-2009</b>		
Cost	33,703	32,336
Accumulated amortisation and impairment	(29,508)	(26,831)
	-----	-----
Net book value	4,195	5,505
	=====	=====
<b>At 30-6-2008</b>		
Cost	33,532	32,137
Accumulated amortisation and impairment	(25,187)	(22,290)
	-----	-----
Net book value	8,345	9,847
	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**6. SUBSIDIARY COMPANIES**

**General business / the Company**

	2009		2008	
	Carrying amount RM'000	Net tangible assets RM'000	Carrying amount RM'000	Net tangible assets RM'000
Unquoted shares at cost	75,032 =====	75,192 =====	75,032 =====	75,163 =====

The subsidiary companies are:-

<u>Name</u>	<u>Place of Incorporation</u>	<u>Equity Holding</u>		<u>Principal Activity</u>
		2009 %	2008 %	
Allstate Health Benefits Sdn Bhd and its subsidiary	Malaysia	100	100	Investment holding
*Hong Leong Insurance (Asia) Limited (formerly known as Dao Heng Insurance Co. Limited)	Hong Kong	100	100	General insurance business

\* Audited by other audit firm.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**7. INVESTMENT PROPERTIES**

	<b>Life Fund</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>The Group and the Company</b>		
<b>Net book value</b>		
At the beginning of the financial year	211,600	201,600
Unrealised gain on fair value (Note 23)	10,000	10,000
	-----	-----
At the end of the financial year	221,600	211,600
	=====	=====

The analysis of investment properties is as follows:-

Freehold land and building	220,000	210,000
Leasehold land and building	1,600	1,600
	-----	-----
	221,600	211,600
	=====	=====

The fair value of the properties was estimated at RM221,600,000 (2008: RM211,600,000) based on open market valuation by an independent professional valuer, Messrs D.B. Das Gupta, Chartered Surveyor and Registered Valuer (V-127).



COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**8. INVESTMENTS**

**(a) General business and Shareholders' fund**

	<b>2009</b>		<b>2008</b>	
	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>
<b>The Group</b>				
<b>Malaysian Government Securities</b>				
At cost	38,330		17,867	
Amortisation of premium-net	(166)		(57)	
	-----		-----	
	38,164		17,810	
	-----		-----	
<b>Other government guaranteed</b>				
At cost	24,614		29,611	
Accretion of discount-net	349		183	
	-----		-----	
	24,963		29,794	
	-----		-----	
<b>Quoted:</b>				
Shares, warrants and loan stocks				
At cost:				
- In Malaysia	62,182		60,115	
- Outside Malaysia	-		11,735	
Allowance for diminution in value	(4,193)		(1,012)	
	-----		-----	
	57,989	57,989	70,838	71,696
	-----		-----	
Corporate debentures and bonds				
- Outside Malaysia	7,879	8,784	1,619	1,691
	-----		-----	

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**8. INVESTMENTS (CONT'D)**

**(a) General business and Shareholders' fund (cont'd)**

	2009		2008	
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
<b>The Group (cont'd)</b>				
Unit trusts				
At cost:				
- In Malaysia	4,019		3,027	
Allowance for diminution in value	(529)		(297)	
	-----		-----	
	3,490	3,490	2,730	2,730
	-----	-----	-----	-----
<b>Total quoted investments</b>	69,358	70,263	75,187	76,117
	-----	-----	-----	-----
<b>Unquoted:</b>				
Shares, warrants and loan stocks				
At cost:				
- In Malaysia	10,245		10,245	
	-----		-----	
Corporate debentures and bonds				
At cost:				
- In Malaysia	190,729		187,728	
- Outside Malaysia	7,055		-	
Unrealised foreign exchange gain	52		-	
Accretion of discount-net	1,281		570	
	-----		-----	
	199,117		188,298	
	-----		-----	
Unit trusts				
At cost:				
- In Malaysia	11,006		11,006	
Allowance for diminution in value	-		(42)	
	-----		-----	
	11,006		10,964	
	-----		-----	
<b>Total unquoted investments</b>	220,368		209,507	
	-----		-----	

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**8. INVESTMENTS (CONT'D)**

**(a) General business and Shareholders' fund (cont'd)**

	<b>2009</b>		<b>2008</b>	
	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>
<b>The Group (cont'd)</b>				
<b>Fixed and call deposits with:</b>				
Licensed banks				
- In Malaysia	219,408		235,465	
- Outside Malaysia	28,577		67,807	
Unrealised foreign exchange gain	1		-	
	-----		-----	
	247,986		303,272	
	-----		-----	
<b>Total investments</b>	<b>600,839</b>		<b>635,570</b>	
	=====		=====	
<b>Investments maturing after 12 months</b>	<b>290,690</b>		<b>212,517</b>	
	=====		=====	
<b>The Company</b>				
<b>Malaysian Government Securities</b>				
At cost	38,330		17,867	
Amortisation of premium-net	(166)		(57)	
	-----		-----	
	38,164		17,810	
	-----		-----	
<b>Other government guaranteed low risk assets</b>				
At cost	24,615		29,611	
Accretion of discount-net	349		183	
	-----		-----	
	24,964		29,794	
	-----		-----	

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**8. INVESTMENTS (CONT'D)**

**(a) General business and Shareholders' fund (cont'd)**

	2009		2008	
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
<b>The Company (cont'd)</b>				
<b>Quoted in Malaysia:</b>				
Shares, warrants and loan stocks				
At cost	62,182		58,746	
Allowance for diminution in value	(4,193)		(1,012)	
	-----		-----	
	57,989	57,989	57,734	59,234
	-----		-----	
Unit trusts				
At cost	4,019		3,027	
Allowance for diminution in value	(529)		(297)	
	-----		-----	
	3,490	3,490	2,730	2,730
	-----	-----	-----	-----
<b>Total quoted investments</b>	<b>61,479</b>	<b>61,479</b>	<b>60,464</b>	<b>61,964</b>
	-----	-----	-----	-----
<b>Unquoted in Malaysia:</b>				
Shares, warrants and loan stocks	10,245		10,245	
	-----		-----	
Corporate debentures and bonds				
At cost:				
- In Malaysia	190,729		187,728	
- Outside Malaysia	7,055		-	
Unrealised foreign exchange gain	52		-	
Accretion of discount-net	1,281		570	
	-----		-----	
	199,117		188,298	
	-----		-----	

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**8. INVESTMENTS (CONT'D)**

**(a) General business and Shareholders' fund (cont'd)**

	<b>2009</b>		<b>2008</b>	
	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>
<b>The Company (cont'd)</b>				
Unit trusts				
At cost:				
- In Malaysia	11,006		11,006	
Allowance for diminution in value	-		(42)	
	-----		-----	
	11,006		10,964	
	-----		-----	
<b>Total unquoted investments</b>	<b>220,368</b>		<b>209,507</b>	
	-----		-----	
<b>Fixed and call deposits with:</b>				
Licensed banks in Malaysia	219,118		235,186	
Unrealised foreign exchange gain	1		-	
	-----		-----	
	219,119		235,186	
	-----		-----	
<b>Total investments</b>	<b>564,094</b>		<b>552,761</b>	
	=====		=====	
<b>Investments maturing after 12 months</b>	<b>284,566</b>		<b>210,898</b>	
	=====		=====	

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**8. INVESTMENTS (CONT'D)**

**(b) Life fund  
The Group and Company**

	<b>2009</b>		<b>2008</b>	
	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>
<b>Malaysian Government Securities</b>				
At cost	337,068		315,350	
Accretion of discount-net	663		218	
	-----		-----	
	337,731		315,568	
	-----		-----	
<b>Other government guaranteed low risk assets</b>				
At cost	127,019		164,285	
Accretion of discount-net	4,331		2,429	
	-----		-----	
	131,350		166,714	
	-----		-----	
<b>Quoted in Malaysia:</b>				
Shares, warrants and loan stocks				
At cost:				
- In Malaysia	336,268		337,363	
- Outside Malaysia	1,146		-	
Unrealised foreign exchange gain	20		-	
Allowance for diminution in value	(42,098)		(36,811)	
	-----		-----	
	295,336	295,336	300,552	300,825
	-----		-----	
Unit trusts				
At cost:				
- In Malaysia	64,918		64,700	
Allowance for diminution in value	(4,128)		(335)	
	-----		-----	
	60,790	60,802	64,365	69,365
	-----		-----	
<b>Total quoted investments</b>	<b>356,126</b>	<b>356,138</b>	<b>364,917</b>	<b>370,190</b>
	-----	-----	-----	-----

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**8. INVESTMENTS (CONT'D)**

**(b) Life fund (cont'd)**  
**The Group and Company (cont'd)**

	<b>2009</b>		<b>2008</b>	
	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>
<b>Unquoted:</b>				
Shares, warrants and loan Stocks				
At cost:				
- In Malaysia	2,147		2,147	
	-----		-----	
Corporate debentures and bonds				
At cost:				
- In Malaysia	1,825,983		1,621,864	
- Outside Malaysia	148,108		-	
Unrealised foreign exchange gain	531		-	
Accretion of discount-net	32,977		18,386	
	-----		-----	
	2,007,599		1,640,250	
	-----		-----	
Structured investments				
At cost:	168,475		39,245	
Unrealised foreign exchange loss	(8,512)		576	
Accretion of discount-net	305		14	
	-----		-----	
	160,268		39,835	
	-----		-----	
<b>Total unquoted investments</b>	<b>2,170,014</b>		<b>1,682,232</b>	
	-----		-----	

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**8. INVESTMENTS (CONT'D)**

**(b) Life fund (cont'd)**  
**The Group and Company (cont'd)**

	<b>2009</b>		<b>2008</b>	
	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>	<b>Carrying value RM'000</b>	<b>Market value RM'000</b>
<b>Fixed and call deposits with:</b>				
Licensed banks				
- In Malaysia	662,084		881,535	
- Outside Malaysia	18,198		-	
Unrealised foreign exchange loss	(64)		-	
Licensed finance companies	25,759		35,888	
	-----		-----	
	705,977		917,423	
	-----		-----	
<b>Total investments</b>	<b>3,701,198</b>		<b>3,446,854</b>	
	=====		=====	
<b>Investments maturing after 12 months</b>	<b>2,688,044</b>		<b>1,992,031</b>	
	=====		=====	

**9. LOANS**

<b>The Group and Company</b>	<b>Life fund</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Policy loans	24,633	23,366
Premium loans	595,648	533,246
	-----	-----
	620,281	556,612
	=====	=====
Receivable after 12 months	620,281	556,612
	=====	=====



COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**10. DEFERRED TAX ASSETS/(LIABILITIES)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when these deferred taxes relate to the same tax authority.

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>The Group</b>				
<b>Deferred tax assets</b>				
At the beginning of the financial year	(2,019)	-	-	(185)
Exchange difference	(57)	-	-	-
Credited to income statement (Note 24)	2,625	-	-	391
	-----	-----	-----	-----
At the end of the financial year	549	-	-	206
	=====	=====	=====	=====
<b>Deferred tax liabilities</b>				
At the beginning of the financial year	-	(3,274)	206	-
Credited / (charged) to income statement (Note 24)	-	1,215	(406)	-
Foreign exchange	-	40	-	-
	-----	-----	-----	-----
At the end of the financial year	-	(2,019)	(200)	-
	=====	=====	=====	=====

The Group recognised deferred tax assets/(liabilities) arising from the following temporary differences:-

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Subject to income tax:</b>				
Deferred tax assets (before offsetting)				
Staff retirement benefits and allowance for doubtful debts	1,591	1,683	-	-
Unearned premium reserves	139	312	-	-
Investments	1,139	-	2,578	2,184

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)**

	General business and Shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>The Group (cont'd)</b>				
Others	3	-	-	-
	-----	-----	-----	-----
	2,872	1,995	2,578	2,184
Offsetting	(2,323)	(1,995)	(2,578)	(1,978)
	-----	-----	-----	-----
Deferred tax assets (after offsetting)	549	-	-	206
	=====	=====	=====	=====
Subject to income tax:				
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(2,323)	(3,740)	-	-
Investments	-	(274)	-	-
Investment properties	-	-	(2,778)	(1,978)
	-----	-----	-----	-----
	(2,323)	(1,014)	(2,778)	(1,978)
Offsetting	2,323	1,995	2,578	1,978
	-----	-----	-----	-----
Deferred tax liabilities (after offsetting)	-	(2,019)	(200)	-
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)****The Company**

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Deferred tax assets</b>				
At the beginning of the financial year	(1,345)	-	-	(185)
Credited to income statement (Note 24)	2,646	-	-	391
	-----	-----	-----	-----
At the end of the financial year	1,301	-	-	206
	=====	=====	=====	=====
<b>Deferred tax liabilities</b>				
At the beginning of the financial year	-	(2,499)	206	-
Credited / (charged) to income statement (Note 24)	-	1,154	(406)	-
	-----	-----	-----	-----
	-	(1,345)	(200)	-
	=====	=====	=====	=====

The Company recognised deferred tax assets/(liabilities) arising from the following temporary differences:-

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Subject to income tax:				
Deferred tax assets (before offsetting)				
Staff retirement benefits and allowance for doubtful debts	1,591	1,683	-	-
Unearned premium reserves	139	312	-	-
Investments	1,139	-	2,578	2,184
Others	3	-	-	-
	-----	-----	-----	-----
	2,872	1,995	2,578	2,184
Offsetting				
	(1,571)	(1,995)	(2,578)	(1,978)
	-----	-----	-----	-----
Deferred tax assets (after offsetting)	1,301	-	-	206
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)**

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Company (cont'd)</b>				
Subject to income tax:				
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(1,579)	(3,066)	-	-
Investments	-	(274)	-	-
Investment properties	-	-	(2,778)	(1,978)
	-----	-----	-----	-----
	(1,571)	(3,340)	(2,778)	(1,978)
Offsetting	1,571	1,995	2,578	1,978
	-----	-----	-----	-----
Deferred tax liabilities (after offsetting)	-	(1,345)	(200)	-
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****11. ASSETS HELD FOR SALE**

	<b>General Business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group and Company</b>				
<b>Net book value</b>				
At the beginning of the financial year	60	60	-	750
Disposal	-	-	-	(750)
	-----	-----	-----	-----
At the end of the financial year	60	60	-	-
	=====	=====	=====	=====

Assets held for sale relate to an apartment for which Board approval was made and is now actively marketed for sale through real estate agents.

**12. RECEIVABLES**

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group</b>				
<b>Trade receivables</b>				
Due premiums including agents, brokers and co-insurers balances	30,641	58,409	29,081	27,904
Due from reinsurers and cedants	17,863	4,326	-	-
	-----	-----	-----	-----
	48,504	62,735	29,081	27,904
Allowance for doubtful debts	(5,363)	(5,794)	(511)	(91)
	-----	-----	-----	-----
	43,141	56,941	28,570	27,813
	-----	-----	-----	-----

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**12. RECEIVABLES (CONT'D)**

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group (cont'd)</b>				
<b>Other receivables</b>				
Other receivables, deposits and prepayments	13,138	10,281	39,858	30,910
Advance to trustee	12,155	1,831	-	-
Amount due from holding company	37	-	-	-
Amount due from related companies	2,605	3,223	428	7,913
Amount due from life fund	57,680	57,167	-	-
	-----	-----	-----	-----
	85,615	72,502	40,286	38,823
	-----	-----	-----	-----
 Total receivables	 128,756	 129,443	 68,856	 66,636
	=====	=====	=====	=====
 <b>The Company</b>				
<b>Trade receivables</b>				
Due premiums including agents, brokers and co-insurers balances	26,473	55,252	29,081	27,904
Due from reinsurers and cedants	17,528	3,576	-	-
	-----	-----	-----	-----
	44,001	58,828	29,081	27,904
Allowance for doubtful debts	(5,362)	(5,793)	(511)	(91)
	-----	-----	-----	-----
	38,639	53,035	28,570	27,813
	-----	-----	-----	-----
 <b>Other receivables</b>				
Other receivables, deposits and prepayments	11,965	9,524	39,858	30,910
Advance to trustee	12,155	1,831	-	-
Amount due from related companies	2,605	3,207	428	7,913
Amount due from life fund	57,680	57,167	-	-
	-----	-----	-----	-----
	84,405	71,729	40,286	38,823
	-----	-----	-----	-----
 Total receivables	 123,044	 124,764	 68,856	 66,636
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**13. PROVISION FOR OUTSTANDING CLAIMS**

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group</b>				
Provision for outstanding claims	355,752	356,938	48,077	48,426
Less: Recoverable from reinsurers	(188,083)	(194,738)	(12,214)	(11,542)
	-----	-----	-----	-----
Net outstanding claims	167,669	162,200	35,863	36,884
	=====	=====	=====	=====
<b>The Company</b>				
Provision for outstanding claims	343,961	348,070	48,077	48,426
Less: Recoverable from reinsurers	(182,300)	(191,143)	(12,214)	(11,542)
	-----	-----	-----	-----
Net outstanding claims	161,661	156,927	35,863	36,884
	=====	=====	=====	=====

**14. PAYABLES**

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group</b>				
<b>Trade payables</b>				
Amount due to reinsurers and cedants	29,315	31,806	13,144	18,092
Amount due to agents, brokers, co-insurers and insureds	10,022	14,011	11,754	10,773
Amount due to policyholders	-	-	388,065	330,476
Deposit withheld from reinsurers	934	1,624	-	-
	-----	-----	-----	-----
	40,271	47,441	412,963	359,341
	-----	-----	-----	-----

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**14. PAYABLES (CONT'D)**

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>The Group (cont'd)</b>				
<b>Other payables</b>				
Other payables and accrued liabilities	15,669	19,299	53,251	45,558
Amount due to holding company	10,340	-	-	-
Amount due to related companies	205	679	4,867	4,829
	-----	-----	-----	-----
	26,214	19,978	58,118	50,387
	-----	-----	-----	-----
Total payables	66,485	67,419	471,081	409,728
	=====	=====	=====	=====
<b>The Company</b>				
<b>Trade payables</b>				
Amount due to reinsurers and cedants	25,120	28,156	13,144	18,092
Amount due to agents, brokers, co-insurers and insureds	8,826	12,687	11,754	10,773
Amount due to policyholders	-	-	388,065	330,476
Deposit withheld from reinsurers	934	1,624	-	-
	-----	-----	-----	-----
	34,880	42,467	412,963	359,341
	-----	-----	-----	-----
<b>Other payables</b>				
Other payables and accrued liabilities	13,953	17,538	53,251	45,558
Amount due to holding company	10,337	-	-	-
Amount due to related companies	7	66	4,867	4,829
	-----	-----	-----	-----
	24,297	17,604	58,118	50,387
	-----	-----	-----	-----
Total payables	59,177	60,071	471,081	409,728
	=====	=====	=====	=====



**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**15. UNEARNED PREMIUM RESERVES**

	<b>Fire RM'000</b>	<b>Motor RM'000</b>	<b>Marine Aviation &amp; Transit RM'000</b>	<b>Misc. RM'000</b>	<b>Total RM'000</b>
<b>The Group</b>					
<b>2009</b>					
At the beginning of the financial year	38,115	29,635	9,150	57,694	134,594
Decrease during the financial year	(8,902)	(11,268)	(4,331)	(14,689)	(39,190)
Foreign exchange	90	-	3	837	930
At the end of the financial year	29,303	18,367	4,822	43,842	96,334
<b>2008</b>					
At the beginning of the financial year	41,990	27,104	8,691	63,923	141,708
(Decrease) / increase during the financial year	(3,805)	2,531	461	(5,703)	(6,516)
Foreign exchange	(70)	-	(2)	(526)	(598)
At the end of the financial year	38,115	29,635	9,150	57,694	134,594

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****15. UNEARNED PREMIUM RESERVES (CONT'D)**

	<b>Fire RM'000</b>	<b>Motor RM'000</b>	<b>Marine Aviation &amp; Transit RM'000</b>	<b>Misc. RM'000</b>	<b>Total RM'000</b>
<b>The Company</b>					
<b>2009</b>					
At the beginning of the financial year	37,047	29,635	9,118	47,763	123,563
Decrease during the financial year	(8,745)	(11,268)	(4,318)	(14,395)	(38,726)
At the end of the financial year	28,302	18,367	4,800	33,368	84,837
	=====	=====	=====	=====	=====
<b>2008</b>					
At the beginning of the financial year	40,577	27,104	8,649	54,162	130,492
(Decrease) / increase during the financial year	(3,530)	2,531	469	(6,399)	(6,929)
At the end of the financial year	37,047	29,635	9,118	47,763	123,563
	=====	=====	=====	=====	=====

**16. LIFE POLICYHOLDERS' FUND**

	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>The Group and Company</b>		
Life policyholders' fund	4,137,452	3,802,789
	=====	=====

- (a) Based on the actuarial valuation of the life policyholders' fund made up to 30 June 2009, the Appointed Actuary was satisfied that the assets available in the life fund are sufficient to meet its long term liabilities to policyholders.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**16. LIFE POLICYHOLDERS' FUND (CONT'D)**

**The Group and Company (cont'd)**

- (b) Results of the actuarial valuation of life policyholders' fund as at 30 June 2009 are as follows:-

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Actuarial liabilities</b>		
At the beginning of the financial year	3,193,469	2,952,599
<b>Add:</b>		
Increase in policy reserves	180,110	93,491
Bonus allocated to participating policyholders		
- From normal surplus	159,713	147,379
	-----	-----
At the end of the financial year	3,533,292	3,193,469
	=====	=====
<b>Unallocated surplus</b>		
At the beginning of the financial year	609,320	567,653
<b>Add:</b>		
Surplus arising during the financial year	211,553	244,046
<b>Less:</b>		
Bonus allocated to policyholders		
- From normal surplus	(159,713)	(147,379)
Transfer to Income Statement	(57,000)	(55,000)
	-----	-----
At the end of the financial year	604,160	609,320
	=====	=====
<b>Life policyholders' fund at the end of the financial year</b>		
Actuarial liabilities	3,533,292	3,193,469
Unallocated surplus	604,160	609,320
	-----	-----
	4,137,452	3,802,789
	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****17. SHARE CAPITAL**

	<b>The Group and Company</b>			
	<b>2009</b>		<b>2008</b>	
	<b>No of shares '000</b>	<b>RM'000</b>	<b>No of shares '000</b>	<b>RM'000</b>
<b>Ordinary shares of RM1.00 each</b>				
<b>Authorised:</b>				
At the beginning of the financial year/				
At the end of the financial year	200,000	200,000	200,000	200,000
	=====	=====	=====	=====
<b>Issued and fully paid up:</b>				
At the beginning of the financial year/				
At the end of the financial year	200,000	200,000	200,000	200,000
	=====	=====	=====	=====

**18. RESERVES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-distributable:</b>				
Foreign exchange reserve	(5,632)	(12,394)	-	-
<b>Distributable:</b>				
Retained earnings	299,333	277,873	284,974	244,431
	-----	-----	-----	-----
	293,701	265,479	284,974	244,431
	=====	=====	=====	=====

The foreign exchange reserve arose from the translation of financial statements of the foreign subsidiary company.

Under the single tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of the shareholders. Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or on 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 to frank all of its retained earnings at 30 June 2009, if paid out as dividends.

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****19. OPERATING REVENUE**

	<b>Shareholders' fund RM'000</b>	<b>General business RM'000</b>	<b>Life fund RM'000</b>	<b>Total RM'000</b>
<b>The Group</b>				
<b>2009</b>				
Gross premium	-	359,116	921,704	1,280,820
Investment income (Note 22)	5,702	17,757	237,313	260,772
	-----	-----	-----	-----
	5,702	376,873	1,159,017	1,541,592
	=====	=====	=====	=====
<b>2008</b>				
Gross premium	-	475,999	782,117	1,258,116
Investment income (Note 22)	4,021	21,016	203,141	228,178
	-----	-----	-----	-----
	4,021	497,015	985,258	1,486,294
	=====	=====	=====	=====
<b>The Company</b>				
<b>2009</b>				
Gross premium	-	304,726	921,704	1,226,430
Investment income (Note 22)	17,907	17,757	237,313	272,977
	-----	-----	-----	-----
	17,907	322,483	1,159,017	1,499,407
	=====	=====	=====	=====
<b>2008</b>				
Gross premium	-	425,805	782,117	1,207,922
Investment income (Note 22)	4,010	18,946	203,141	226,097
	-----	-----	-----	-----
	4,010	444,751	985,258	1,434,019
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****20. NET CLAIMS INCURRED**

	<b>Fire RM'000</b>	<b>Motor RM'000</b>	<b>Marine Aviation &amp; Transit RM'000</b>	<b>Misc. RM'000</b>	<b>Total RM'000</b>
<b>The Group</b>					
<b>2009</b>					
Gross claims paid less salvage	58,001	44,279	17,777	99,958	220,015
Reinsurances recoveries	(34,624)	(2,709)	(6,200)	(26,542)	(70,075)
	-----	-----	-----	-----	-----
Net claims paid	23,377	41,570	11,577	73,416	149,940
Net outstanding claims:					
At the end of the financial year	29,314	52,683	16,653	69,019	167,669
Foreign exchange difference	(93)	-	(2)	(349)	(444)
At the beginning of the financial year	(30,173)	(43,291)	(15,987)	(72,749)	(162,200)
	-----	-----	-----	-----	-----
Net claims incurred	22,425	50,962	12,241	69,337	154,965
	=====	=====	=====	=====	=====
<b>2008</b>					
Gross claims paid less salvage	70,092	46,375	27,351	103,800	247,618
Reinsurances recoveries	(42,782)	(2,439)	(12,191)	(17,895)	(75,307)
	-----	-----	-----	-----	-----
Net claims paid	27,310	43,936	15,160	85,905	172,311
Net outstanding claims:					
At the end of the financial year	30,173	43,291	15,987	72,749	162,200
Foreign exchange difference	59	-	3	229	291
At the beginning of the financial year	(30,342)	(41,189)	(12,892)	(63,520)	(147,943)
	-----	-----	-----	-----	-----
Net claims incurred	27,200	46,038	18,258	95,363	186,859
	=====	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****20. NET CLAIMS INCURRED**

	<b>Fire RM'000</b>	<b>Motor RM'000</b>	<b>Marine Aviation &amp; Transit RM'000</b>	<b>Misc. RM'000</b>	<b>Total RM'000</b>
<b>The Company</b>					
<b>2009</b>					
Gross claims paid less salvage	52,182	44,279	17,662	87,977	202,100
Reinsurances recoveries	(30,247)	(2,709)	(6,086)	(23,879)	(62,921)
	-----	-----	-----	-----	-----
Net claims paid	21,935	41,570	11,576	64,098	139,179
Net outstanding claims:					
At the end of the financial year	28,129	52,683	16,641	64,208	161,661
At the beginning of the financial year	(29,044)	(43,291)	(15,961)	(68,631)	(156,927)
	-----	-----	-----	-----	-----
Net claims incurred	21,020	50,962	12,256	59,675	143,913
	=====	=====	=====	=====	=====
<b>2008</b>					
Gross claims paid less salvage	66,052	46,375	27,292	93,365	233,084
Reinsurances recoveries	(40,338)	(2,439)	(12,161)	(16,960)	(71,898)
	-----	-----	-----	-----	-----
Net claims paid	25,714	43,936	15,131	76,405	161,186
Net outstanding claims:					
At the end of the financial year	29,044	43,291	15,961	68,631	156,927
At the beginning of the financial year	(29,229)	(41,189)	(12,836)	(59,205)	(142,459)
	-----	-----	-----	-----	-----
Net claims incurred	25,529	46,038	18,256	85,831	175,654
	=====	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****21. MANAGEMENT EXPENSES**

	Shareholders' fund		General business		Life fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>						
Foreign exchange loss	-	-	42	42	5	-
Staff salaries, bonuses and allowance	29	17	31,878	33,731	21,966	21,789
Directors' remuneration						
- Fee	18	-	182	199	182	183
- Other emoluments	-	-	1,017	944	1,017	943
Auditors' remuneration						
- Auditors of the Company	-	-	177	84	102	71
- Other auditors	180	2	-	153	-	-
Rental of offices	3	2	3,419	2,885	4,387	3,868
Depreciation of property, plant and equipment	68	75	3,271	3,530	3,273	2,737
Amortisation of prepaid lease payments	6	6	10	11	26	26
Amortisation of intangible assets	5	5	4,316	5,460	4,541	5,252
IGSF levy	-	-	680	1,018	-	-
(Write back of)/ allowance of doubtful debts	-	-	(431)	1,473	420	-
Bad debts written off	-	-	1,969	-	-	-
Other expenses	2,715	2,159	25,995	29,217	30,246	27,140
	-----	-----	-----	-----	-----	-----
Total management expenses	3,024	2,266	72,525	78,747	66,165	62,009
	=====	=====	=====	=====	=====	=====



**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****21. MANAGEMENT EXPENSES (CONT'D)**

	Shareholders' fund		General business		Life fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Company</b>						
Foreign exchange loss	-	-	42	42	5	-
Staff salaries, bonuses and allowance	29	17	21,944	24,347	21,966	21,789
Directors' remuneration						
- Fee	-	-	182	182	182	183
- Other emoluments	-	-	1,017	944	1,017	943
Auditors' remuneration	-	-	177	84	102	71
Rental of offices	3	2	3,419	2,885	4,387	3,868
Depreciation of property, plant and equipment	68	75	2,542	2,569	3,273	2,737
Amortisation of prepaid lease payments	6	6	10	11	26	26
Amortisation of intangible assets	5	5	4,316	5,460	4,541	5,252
IGSF levy	-	-	680	1,018	-	-
(Write back of)/allowance of doubtful debts	-	-	(431)	1,473	420	-
Bad debts written off	-	-	1,969	-	-	-
Other expenses	1,847	2,158	20,855	23,623	30,246	27,140
	-----	-----	-----	-----	-----	-----
Total management expenses	1,958	2,263	56,722	62,638	66,165	62,009
	=====	=====	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****22. INVESTMENT INCOME**

	<b>Shareholders' fund RM'000</b>	<b>General business RM'000</b>	<b>Life fund RM'000</b>	<b>Total RM'000</b>
<b>The Group</b>				
<b>2009</b>				
<b>Interest income</b>				
Malaysian Government Securities	-	1,696	15,484	17,180
Other government guaranteed low risk assets	-	866	3,929	4,795
Policy loans and premium loans	-	-	38,108	38,108
Quoted corporate debentures and bonds				
- Outside Malaysia	126	-	-	126
Unquoted corporate debentures and bonds				
- In Malaysia	1,078	8,373	90,012	99,463
- Outside Malaysia	-	-	970	970
Fixed and call deposits				
- In Malaysia	2,943	3,724	32,782	39,449
- Outside Malaysia	1,032	-	8	1,040
<b>Gross dividends</b>				
- Quoted investments in Malaysia	-	-	18,371	18,371
- Quoted investments outside Malaysia	509	2,104	75	2,688
- Quoted unit trust	-	86	5,908	5,994
- Unquoted investment	21	244	798	1,063
<b>Rental income net of expenses</b>	-	353	16,092	16,445
<b>Accretion of discount, net of amortisation of premium</b>				
- In Malaysia	(7)	124	8,329	8,446
- Outside Malaysia	-	187	6,447	6,634
	-----	-----	-----	-----
Investment income	5,702	17,757	237,313	260,772
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**22. INVESTMENT INCOME (CONT'D)**

	<b>Shareholders' fund RM'000</b>	<b>General business RM'000</b>	<b>Life fund RM'000</b>	<b>Total RM'000</b>
<b>The Group (cont'd)</b>				
<b>2008</b>				
<b>Interest income</b>				
Malaysian Government Securities	-	1,605	17,705	19,310
Other government guaranteed low risk assets	-	926	4,902	5,828
Loan stocks	20	-	20	40
Policy loans and premium loans	-	-	19,522	19,522
Quoted corporate debentures and bonds				
- Outside Malaysia	-	121	-	121
Unquoted corporate debentures and bonds	571	6,618	79,420	86,609
Fixed and call deposits				
- In Malaysia	2,737	5,897	27,637	36,271
- Outside Malaysia	-	1,643	1	1,644
<b>Gross dividends</b>				
- Quoted investments in Malaysia	701	3,568	27,522	31,791
- Quoted investments outside Malaysia	-	352	-	352
- Quoted unit trust	21	183	5,465	5,669
- Unquoted investment	-	160	404	564
<b>Rental income net of expenses</b>	(6)	-	15,539	15,533
<b>Accretion of discount, net of amortisation of premium</b>	(23)	(57)	5,004	4,924
Investment income	4,021	21,016	203,141	228,178
<b>The Company</b>				
<b>2009</b>				
<b>Interest income</b>				
Malaysian Government Securities	-	1,696	15,484	17,180
Other government guaranteed low risk assets	-	866	3,929	4,795
Policy loans and premium loans	-	-	38,108	38,108
Unquoted corporate debentures and bonds				
- In Malaysia	1,078	8,373	90,012	99,463
- Outside Malaysia	-	-	970	970
Fixed and call deposits				
- In Malaysia	2,903	3,724	32,782	39,409
- Outside Malaysia	-	-	8	8

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**22. INVESTMENT INCOME (CONT'D)**

	<b>Shareholders' fund RM'000</b>	<b>General business RM'000</b>	<b>Life fund RM'000</b>	<b>Total RM'000</b>
<b>The Company (cont'd)</b>				
<b>Gross dividends</b>				
- Quoted in Malaysia	-	-	18,371	18,371
- Quoted outside Malaysia	412	2,104	75	2,591
- Quoted unit trust	-	86	5,908	5,994
- Unquoted unit trust	21	244	798	1,063
- Subsidiary	13,500	-	-	13,500
<b>Rental of properties</b>	-	353	16,092	16,445
<b>Accretion of discount, net of amortisation of premium</b>				
- In Malaysia	(7)	124	8,329	8,446
- Outside Malaysia	-	187	6,455	6,634
	-----	-----	-----	-----
Investment income	17,907	17,757	237,313	272,977
	=====	=====	=====	=====
<b>2008</b>				
<b>Interest income</b>				
Malaysian Government Securities	-	1,605	17,705	19,310
Other government guaranteed low risk assets	-	926	4,902	5,828
Loan stocks	20	-	20	40
Policy loans and premium loans	-	-	19,522	19,522
Unquoted corporate debentures and bonds	571	6,618	79,420	86,609
Fixed and call deposits				
- In Malaysia	2,726	5,897	27,637	36,260
- Outside Malaysia	-	-	1	1
<b>Gross dividends</b>				
- Quoted in Malaysia	701	3,565	27,522	31,788
- Quoted outside Malaysia	-	49	-	49
- Quoted unit trust	21	183	5,465	5,669
- Unquoted unit trust	-	160	404	564
<b>Rental of properties</b>	(6)	-	15,539	15,533
<b>Accretion of discount, net of amortisation of premium</b>				
	(23)	(57)	5,004	4,924
	-----	-----	-----	-----
Investment income	4,010	18,946	203,141	226,097
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**23. OTHER OPERATING INCOME/(EXPENSES)**

	Shareholders' fund		General business		Life fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>						
<b>Other income</b>						
Unrealised gain of investments in investment-linked funds	-	-	-	-	4,522	-
Gain on sale of property, plant and equipment	-	-	226	175	92	27
Gain on sale of assets held for sale	-	-	-	-	-	10
Gain on sale of						
- Malaysian Government Securities	-	-	-	231	-	1,054
- Other government guaranteed low risk assets	-	-	-	-	4	31
- Corporate debentures and bonds	-	-	-	-	-	-
- In Malaysia	-	-	689	107	1,087	928
- Outside Malaysia	-	-	-	-	263	-
Gain on sale of quoted investments						
- In Malaysia	22	1,931	-	4,124	-	44,633
- Outside Malaysia	-	-	-	4	-	23
Unrealised foreign exchange gain	-	-	82	2,383	-	1,208
Realised foreign exchange gain	60	84	23	-	486	-
Sundry income						
- Foreign account	-	-	74	103	-	-
- Collateral interest	-	-	314	48	-	-
- Others	392	4	360	776	2,923	2,985
Fair value gain on investment properties	-	-	-	-	10,000	10,000
	-----	-----	-----	-----	-----	-----
	474	2,019	1,768	7,951	19,377	60,899
	-----	-----	-----	-----	-----	-----

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****23. OTHER OPERATING INCOME/(EXPENSES) (CONT'D)**

	Shareholders' fund		General business		Life fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group (cont'd)</b>						
<b>Other expenditure</b>						
Property, plant and equipment written off	(5)	(1)	-	-	-	-
Writedown of cost of quoted investment	(368)	-	-	(96)	(4,028)	-
Allowance for diminution in value of quoted investments						
- In Malaysia	(1,214)	(1,059)	(2,157)	(291)	(8,838)	(37,145)
- Outside Malaysia	-	-	-	-	(242)	-
Investment expenses						
- In Malaysia	(172)	(184)	(280)	(1,150)	(5,480)	(5,461)
- Outside Malaysia	(259)	-	(21)	-	(68)	-
Loss on sale of Malaysian Government Securities	-	-	(410)	-	(788)	-
Loss on sale of quoted investments						
- In Malaysia	-	-	(1,220)	(2,521)	(24,890)	-
- Outside Malaysia	(6,375)	-	-	-	-	-
Realised foreign exchange loss	-	-	-	(228)	-	-
Unrealised foreign exchange loss	(3,591)	-	-	-	(7,643)	-
Unrealised loss of investments in investment-linked funds	-	-	-	-	-	(53,132)
Sundry expenses	(70)	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
	(12,054)	(1,244)	(4,088)	(4,286)	(51,977)	(95,738)
	-----	-----	-----	-----	-----	-----
Net other (expenses) / income	(11,580)	775	(2,320)	3,665	(32,600)	(34,839)
	=====	=====	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**23. OTHER OPERATING INCOME/(EXPENSES) (CONT'D)**

	Shareholders' fund		General business		Life fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Company</b>						
<b>Other income</b>						
Unrealised gain of investments in investment-linked fund	-	-	-	-	4,522	-
Gain on sale of property, plant and equipment	-	-	226	175	92	27
Gain on sale of assets held for sale	-	-	-	-	-	10
Gain on sale of - Malaysian Government Securities	-	-	-	231	-	1,054
- Other government guaranteed Low risk assets	-	-	-	-	4	31
- Corporate debentures and bonds	-	-	-	-	-	928
- In Malaysia	-	-	689	107	1,087	-
- Outside Malaysia	-	-	-	-	263	-
Gain on sale of quoted investments						
- In Malaysia	22	1,931	-	4,124	-	44,633
- Outside Malaysia	-	-	-	4	-	23
Unrealised foreign exchange gain	-	-	82	-	-	1,208
Realised foreign exchange gain	-	-	23	-	486	-
Sundry income						
- Foreign account	-	-	74	103	-	-
- Collateral interest	-	-	314	48	-	-
- Others	364	5	360	636	2,923	2,985
Fair value gain on investment properties	-	-	-	-	10,000	10,000
	386	1,936	1,768	5,428	19,377	60,899

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****23. OTHER OPERATING INCOME/(EXPENSES) (CONT'D)**

	Shareholders' fund		General business		Life fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Company (cont'd)</b>						
<b>Other expenditure</b>						
Loss on sale of quoted investment						
- In Malaysia	-	-	(1,220)	-	(24,890)	-
Write down of cost of quoted investment	(368)	-	-	(96)	(4,028)	-
Allowance for diminution in value of quoted investments						
- In Malaysia	(1,214)	(1,059)	(2,157)	(291)	(8,838)	(37,145)
- Outside Malaysia	-	-	-	-	(242)	-
Investment expenses						
- In Malaysia	(172)	(184)	(280)	(317)	(5,480)	(5,461)
- Outside Malaysia	-	-	(21)	-	(68)	-
Loss on sale of - Malaysian Government Securities	-	-	(410)	-	(788)	-
Unrealised foreign exchange loss	-	-	-	-	(7,643)	-
Unrealised loss of investments in investment-linked funds	-	-	-	-	-	(53,132)
	(1,754)	(1,243)	(4,088)	(704)	(51,977)	(95,738)
Net other (expenses) / income	(1,368)	693	(2,320)	4,724	(32,600)	(34,839)



**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**24. TAXATION**

	<b>Group</b>		<b>Company</b>		<b>Group/ Company</b>	
	<b>General business</b>		<b>General business and</b>		<b>Life fund*</b>	
	<b>and Shareholders' fund</b>		<b>Shareholders' fund</b>			
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax						
- Income tax expense	24,339	27,989	23,707	27,444	15,238	16,117
- Origination and reversal of temporary differences (Note 10)	(2,625)	(1,215)	(2,646)	(1,154)	406	(391)
- Income tax expense for investment-linked funds (Note 27(d))	-	-	-	-	(992)	1,799
- Origination and reversal of temporary differences (Note 27(d))	-	-	-	-	360	(4,250)
Tax expense	21,714	26,774	21,061	26,290	15,012	13,275

The numerical reconciliations between the average effective tax and the applicable tax are as follows:-

	<b>Group</b>		<b>Company</b>		<b>Group/ Company</b>	
	<b>General business</b>		<b>General business and</b>		<b>Life fund*</b>	
	<b>and Shareholders' fund</b>		<b>Shareholders' fund</b>			
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Company and subsidiaries</b>						
Taxable profits as per income statement/ revenue account	86,674	105,690	105,104	101,931	204,713	168,302
Applicable tax rate	25%	26%	25%	26%	8%	8%
Applicable tax	21,669	27,479	26,276	26,502	16,377	13,464

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****24. TAXATION (CONT'D)**

	<b>Group</b>		<b>Company</b>		<b>Group/ Company</b>	
	<b>General business</b>		<b>General business and</b>		<b>Life fund*</b>	
	<b>and Shareholders' fund</b>		<b>Shareholders' fund</b>			
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Tax effect in respect of:-</b>						
Non-allowable expenses	1,782	2,308	617	1,279	-	728
Others						
- Differences in tax rate on foreign inward and offshore insurance	(746)	(1,264)	(746)	(1,264)	-	-
- Effect of different taxation rates in other country	422	(349)	-	-	-	-
- Effect on opening deferred tax balance resulting from an increase in tax rate during the year	-	(43)	-	-	-	-
- others	1,753	(1,079)	1,438	-	(347)	(99)
Tax relief on actuarial surplus transferred	(2,850)	-	(2,850)	-	-	-
Non-taxable income						
- Tax exempt dividend income	(315)	(278)	(3,674)	(227)	(910)	(560)
- Deductible benefit arising from capital allowance	-	-	-	-	(108)	(258)
	-----	-----	-----	-----	-----	-----
Tax expense	21,714	26,774	21,061	26,290	15,012	13,275
	=====	=====	=====	=====	=====	=====

\* For Life Fund, those relate to taxable net investment income and other operating expenses only.

**25. DIVIDENDS**

	<b>The Group and Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividend in respect of the financial year:		
Tax exempt interim dividend – 21.75 sen per share (2008: 15 sen per share)	43,500	30,000
	=====	=====

The Directors do not recommend any final dividend to be paid for the financial year ended 30 June 2009.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**26. EARNINGS PER SHARE**

The basic earnings per share are calculated based on the profit for the financial year after taxation of RM64,960,000 (2008: RM78,916,000) for the Group divided by the weighted average number of 200,000,000 (2008: 200,000,000) ordinary shares in issue during the financial year.

**27. INVESTMENT-LINKED BUSINESS**

**The Group and Company**

**(a) Balance Sheet**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
Investments (Note 27(c))	362,281	310,948
Amount due from operating fund	-	360
Amount due from fund managers	-	951
Deferred tax assets (Note 27(e))	1,712	2,003
Investment receivable	1,777	1,726
Tax recoverable	1,041	-
Cash and bank balances	864	513
	-----	-----
	367,675	316,501
	-----	-----
<b>Liabilities</b>		
Tax payable	988	1,932
Deferred tax liabilities (Note 27(e))	69	-
Amount due to operating fund	678	228
	-----	-----
	1,735	2,160
	-----	-----
<b>Net Asset Value of Funds</b>	365,940	314,341
	=====	=====
<b>Represented by:</b>		
Unitholders' fund	365,940	314,341
	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****27. INVESTMENT-LINKED BUSINESS (CONT'D)****(b) Movement on unitholders' fund**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Net creation of units during the financial year	75,682	78,217
Net policy benefits	(20,689)	(23,025)
Investment loss - net	(4,026)	(28,516)
	-----	-----
	50,967	26,676
Taxation (Note 27(d))	632	2,451
	-----	-----
Increase for the financial year after taxation	51,599	29,127
Unitholders' fund as at 1 July	314,341	285,214
	-----	-----
Unitholders' fund as at 30 June	365,940	314,341
	=====	=====

**(c) Investments**

	<b>2009</b>		<b>2008</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
	<b>RM'000</b>	<b>Value</b>	<b>RM'000</b>	<b>Value</b>
		<b>RM'000</b>		<b>RM'000</b>
<b>Other government</b>				
<b>guaranteed low risk</b>				
<b>assets</b>				
At cost	7,532		2,533	
Unrealised loss	(9)		(84)	
	-----		-----	
	7,523	7,523	2,449	2,449
	-----	-----	-----	-----
<b>Quoted in Malaysia:</b>				
Shares and warrants				
At cost	199,986		185,214	
Unrealised loss	(18,002)		(22,976)	
	-----		-----	
	181,984	181,984	162,238	162,238
	-----	-----	-----	-----

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**27. INVESTMENT-LINKED BUSINESS (CONT'D)**

**(c) Investments (cont'd)**

	<b>2009</b>		<b>2008</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
	<b>RM'000</b>	<b>Value</b>	<b>RM'000</b>	<b>Value</b>
		<b>RM'000</b>		<b>RM'000</b>
Unit trusts				
At cost	7,900		7,207	
Unrealised loss	(1,522)		(995)	
	-----		-----	
	6,378	6,378	6,212	6,212
	-----		-----	
<b>Total quoted investments</b>	<b>188,362</b>	<b>188,362</b>	<b>168,450</b>	<b>168,450</b>
	-----	-----	-----	-----
<b>Unquoted in Malaysia:</b>				
Corporate debentures and bonds				
At cost	37,145		31,433	
Unrealised gain / (loss)	138		(500)	
	-----		-----	
	37,283		30,933	
	-----		-----	
Unit trusts				
At cost	9,853		9,655	
Unrealised loss	(2,706)		(541)	
	-----		-----	
	7,147		9,114	
	-----		-----	
<b>Total unquoted investments</b>	<b>44,430</b>		<b>40,047</b>	
	-----		-----	

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**27. INVESTMENT-LINKED BUSINESS (CONT'D)**

**(c) Investments (cont'd)**

	<b>2009</b>		<b>2008</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
	<b>RM'000</b>	<b>Value</b>	<b>RM'000</b>	<b>Value</b>
		<b>RM'000</b>		<b>RM'000</b>
Fixed and call deposits with licensed banks	121,966		100,002	
	-----		-----	
<b>Total investments</b>	<b>362,281</b>		<b>310,948</b>	
	=====		=====	
<b>Investments maturing after 12 months</b>	<b>67,517</b>		<b>52,312</b>	
	=====		=====	

**(d) Taxation**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax expense	(992)	1,799
Deferred taxation (Note 27 (e))	360	(4,250)
	-----	-----
	<b>(632)</b>	<b>(2,451)</b>
	=====	=====

The numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:-

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Taxable profits as per income statement	(4,026)	(28,516)
	=====	=====
Average applicable tax rate	8%	8%
At applicable tax	(322)	(2,281)

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**27. INVESTMENT-LINKED BUSINESS (CONT'D)**

**(d) Taxation (cont'd)**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tax effect in respect of:-</b>		
Non-taxable income		
- Tax exempt dividend income	(310)	(170)
	-----	-----
	(632)	(2,451)
	=====	=====

**(e) Deferred tax assets / (liabilities)**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At the beginning of the financial year	2,003	(2,247)
Transfer to / (from) unitholders' fund	(360)	4,250
	-----	-----
At the end of the financial year	1,643	2,003
	=====	=====

The deferred tax assets / (liabilities) arise in respect of:-

**Tax effects of:**

Temporary differences on unrealised loss on investments	1,643	2,003
	=====	=====

**28. SEGMENT INFORMATION**

	<b>Shareholders'</b>	<b>General</b>	<b>Investment-</b>		<b>Total</b>
	<b>fund</b>	<b>business</b>	<b>Life fund</b>	<b>business</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
<b>The Group</b>					
<b>2009</b>					
Cash flows from:					
Operating activities	43,342	31,896	71,800	351	147,389
Investing activities	-	(2,019)	(76,841)	-	(78,860)
Financing activities	(43,500)	-	-	-	(43,500)
	-----	-----	-----	-----	-----
	(158)	29,877	(5,041)	351	25,029
	=====	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**28. SEGMENT INFORMATION (CONT'D)**

	Shareholders' fund RM'000	General business RM'000	Life fund RM'000	Investment- linked business RM'000	Total RM'000
Net (decrease) / increase in cash and cash equivalents	(158)	29,877	(5,041)	351	25,029
Exchange differences	-	208	-	-	208
Cash and cash equivalents at the beginning of the financial year	557	27,328	6,823	513	35,221
	-----	-----	-----	-----	-----
At the end of the financial year	399	57,413	1,782	864	60,458
	=====	=====	=====	=====	=====
<b>2008</b>					
Cash flows from:					
Operating activities	30,332	(3,216)	1,075	(1,239)	26,952
Investing activities	(5)	(1,601)	(887)	-	(2,493)
Financing activities	(30,000)	-	-	-	(30,000)
	-----	-----	-----	-----	-----
	327	(4,817)	188	(1,239)	(5,541)
	=====	=====	=====	=====	=====
Net increase / (decrease) in cash and cash equivalents	327	(4,817)	188	(1,239)	(5,541)
Exchange differences	-	(243)	-	-	(243)
Cash and cash equivalents at the beginning of the financial year	230	32,388	6,635	1,752	41,005
	-----	-----	-----	-----	-----
At the end of the financial year	557	27,328	6,823	513	35,221
	=====	=====	=====	=====	=====



**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****28. SEGMENT INFORMATION (CONT'D)**

	Shareholders' fund RM'000	General business RM'000	Life fund RM'000	Investment- linked business RM'000	Total RM'000
<b>The Company</b>					
<b>2009</b>					
Cash flows from:					
Operating activities	43,345	(1,042)	71,800	351	114,454
Investing activities	-	(1,656)	(76,846)	-	(78,497)
Financing activities	(43,500)	-	-	-	(43,500)
	-----	-----	-----	-----	-----
	(155)	(2,698)	(5,041)	351	(7,543)
	=====	=====	=====	=====	=====
Net decrease in cash and cash equivalents	(155)	(2,698)	(5,041)	351	(7,543)
Cash and cash equivalents at the beginning of the financial year	210	24,853	6,823	513	32,399
	-----	-----	-----	-----	-----
At the end of the financial year	55	22,155	1,782	864	24,856
	=====	=====	=====	=====	=====
<b>2008</b>					
Cash flows from:					
Operating activities	30,155	(1,666)	1,075	(1,239)	28,325
Investing activities	(5)	(1,240)	(887)	-	(2,132)
Financing activities	(30,000)	-	-	-	(30,000)
	-----	-----	-----	-----	-----
	150	(2,906)	188	(1,239)	(2,807)
	=====	=====	=====	=====	=====
Net increase / (decrease) in cash and cash equivalents	150	(2,906)	188	(1,239)	(3,807)
Cash and cash equivalents at the beginning of the financial year	60	27,759	6,635	1,752	36,206
	-----	-----	-----	-----	-----
At the end of the financial year	210	24,853	6,823	513	32,399
	=====	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS**

In the Group's balance sheet, investments would fall under the description of financial instruments. Insurers have to comply with the Malaysian Insurance Act and regulations in Malaysia and Insurance Companies Ordinance in Hong Kong which include guidelines on investments. The Board is responsible for formulating policies and overseeing those risks associated with the financial instruments described below.

The responsibility for formulation, establishment and approval of investment policies rests with the Board as reported in the corporate governance framework in the Directors' Report. The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board. The IC oversees the formulation of investment, risk strategy and asset allocation to determine the optimum risk and return profile.

Risk limits are in place at various levels and monitored by a risk manager to ensure all investment securities are in compliance with the Group's and Company's investment principles and philosophy. Sensitivity and stress tests are carried out on a regular basis to assess the resilience of the investment portfolios and the impact on Company's solvency.

The Company's asset and liability management ("ALM") model is being deployed to address the extent of assets and liabilities mismatch. The ALM model will enable management to assess the long term impact of the investment strategy, asset mix and product pricing strategy on the financial ability to meet its future obligations.

**(a) Credit risk**

Credit risk is the risk of loss due to inability or unwillingness of an issuer to service its debt obligations. The risk arising from lending and investment activities is monitored regularly with respect to single customer limit, exposure to sector type, credit rating and remaining term to maturity, in accordance to investment guidelines and limits approved by the Board and the authorities.

At balance sheet date, the credit exposure is within the investment guidelines and limits approved by the Board and the authorities. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****29. FINANCIAL INSTRUMENTS (CONT'D)****(a) Credit risk (cont'd)**

The Group's and Company's exposure to credit risk is analysed as follows:-

	2009		2008	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
<b>Corporate debentures and bonds</b>				
Communication	87,755	87,755	78,569	78,569
Diversified holding	181,373	181,373	140,540	140,540
Finance	1,275,165	1,275,165	1,003,388	1,003,388
Industrial/Manufacturing	104,117	104,117	123,803	123,803
Infrastructure	216,879	216,879	212,382	212,382
Property/Plantation	126,174	120,051	24,018	24,018
Utilities	221,377	221,377	245,848	245,848
Transportation	1,755	-	1,619	-
	-----	-----	-----	-----
	2,214,595	2,206,717	1,830,167	1,828,548
Other government guaranteed low risk assets	532,208	532,208	529,886	529,886
	-----	-----	-----	-----
	2,746,803	2,738,925	2,360,053	2,358,434
	=====	=====	=====	=====

Rating of corporate debentures and bonds and other government guaranteed low risk assets securities on carrying value basis:-

	2009		2008	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
AAA	851,047	851,047	750,612	750,612
AA	935,074	933,319	767,010	765,391
A	277,062	277,602	312,545	312,545
BBB	33,698	33,698	-	-
Other government guaranteed low risk assets	532,208	532,208	529,886	529,886
Non rated	117,714	111,051	-	-
	-----	-----	-----	-----
	2,746,803	2,738,925	2,360,053	2,358,434
	=====	=====	=====	=====

The rating categories are based on the ratings by rating agencies.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Market risk**

**(i) Equity risk**

Adverse changes in the equity market impair the carrying value of the equity portfolio which could affect the solvency of the Group and the Company. The Board has set internal limits for maximum equity exposure and individual stock exposure, which are consistent with BNM's guidelines and has also imposed daily trading limits. The Company's IC decides on the appropriate asset allocation for equities on a regular basis in line with the investment and economic conditions at time of review.

**(ii) Foreign currency risk**

The Group's and the Company's main exposure to foreign currency risk arises from its foreign investments. The foreign exchange management policy is to minimise its exposure arising from currency movements. Derivative financial instruments held by the subsidiary are solely for purpose of managing foreign currency risk and are classified as financial assets and financial liabilities.

The following are the carrying amounts of the assets and liabilities that are denominated in currencies other than the functional currency of the Group and Company:

	The Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Assets:				
Investments:				
- Singapore dollar	111,499	11,974	95,596	-
- USD dollar	96,541	10,465	86,246	13
- Australian dollar	160,268	39,835	160,268	39,835
- Others	833	584	-	-
Liabilities:				
- Australian dollar	27,748	-	27,748	-

**(iii) Interest rate risk**

Investment activities are inherently exposed to interest rate risk. Interest rate risk arises principally from changes in the level of interest rates. The Group and the Company are actively managing such risk via the duration profile of the fixed income securities.

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****29. FINANCIAL INSTRUMENTS (CONT'D)****(b) Market risk (cont'd)**

The average effective interest rate and maturity period for the financial assets and liabilities are as follows:-

**The Group****General Business and Shareholders' Fund**

	<b>Non- Interest Bearing RM'000</b>	<b>Interest-bearing 1 Year or Less RM'000</b>	<b>maturity period 1 to 5 Years RM'000</b>	<b>&gt;5 Years RM'000</b>	<b>Total Carrying Value RM'000</b>	<b>Average Effective Interest Rate %</b>
<b>2009</b>						
<b>Assets</b>						
Investments:						
Malaysian Government						
Securities	-	-	33,417	4,747	38,164	2.77%
Other government guaranteed low risk assets	-	4,963	20,000	-	24,963	4.49%
Corporate debenture and bonds						
- Quoted	-	1,755	6,124	-	7,879	12.02%
- Unquoted	-	7,999	157,605	33,513	199,117	4.51%
Fixed and call deposits	-	247,986	-	-	247,986	2.12%
Shares and warrants						
- Quoted	57,989	-	-	-	57,989	-
- Unquoted	10,245	-	-	-	10,245	-
Unit trusts						
- Quoted	3,490	-	-	-	3,490	-
- Unquoted	11,006	-	-	-	11,006	-
	82,730	262,703	217,146	38,260	600,839	
Investment receivables	3,689	8	-	-	3,697	
Advance to trustee	12,155	-	-	-	12,155	
Cash and bank balances	24,979	32,833	-	-	57,812	
Financial assets	123,553	295,544	217,146	38,260	674,502	
Other financial assets*					114,555	
Other assets					51,028	
<b>Total assets</b>					<b>840,086</b>	

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

	Non- Interest Bearing RM'000	Interest-bearing 1 Year or Less RM'000	maturity period		Total Carrying Value RM'000	Average Effective Interest Rate %
			1 to 5 Years RM'000	>5 Years RM'000		
<b>Liabilities</b>						
Financial liabilities						
- Other payables and accrued expenses	26,214	-	-	-	26,214	
Other financial liabilities*					207,940	
Other liabilities					112,231	
<b>Total liabilities</b>					<b>346,385</b>	
<b>2008</b>						
<b>Assets</b>						
Investments:						
Malaysian Government Securities	-	-	13,091	4,719	17,810	4.15%
Other government guaranteed low risk assets	-	4,998	24,796	-	29,794	4.58%
Corporate debenture and bonds						
- Quoted	-	-	1,619	-	1,619	7.25%
- Unquoted	-	20,006	123,325	44,967	188,298	5.05%
Fixed and call deposits	-	303,272	-	-	303,272	3.17%
Shares and warrants						
- Quoted	70,838	-	-	-	70,838	-
- Unquoted	10,245	-	-	-	10,245	-
Unit trusts						
- Quoted	2,730	-	-	-	2,730	-
- Unquoted	10,964	-	-	-	10,964	-
	94,777	328,276	162,831	49,686	635,570	
Investment receivables	3,866	8	-	-	3,874	
Advance to trustee	1,831	-	-	-	1,831	
Cash and bank balances	25,982	1,903	-	-	27,885	
Financial assets	126,456	330,187	162,831	49,686	669,160	
Other financial assets*					123,738	
Other assets					56,317	
<b>Total assets</b>					<b>849,215</b>	

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Market risk (cont'd)**

	<b>Non- Interest Bearing RM'000</b>	<b>Interest-bearing 1 Year or Less RM'000</b>	<b>maturity period 1 to 5 Years RM'000</b>	<b>&gt;5 Years RM'000</b>	<b>Total Carrying Value RM'000</b>	<b>Average Effective Interest Rate %</b>
<b>Liabilities</b>						
Financial liabilities						
- Other payables and accrued expenses	19,299	-	-	-	19,978	
Other financial liabilities*					209,641	
Other liabilities					154,117	
<b>Total liabilities</b>					<b>383,736</b>	

The average effective interest rate and maturity period for the financial assets and liabilities are as follows:-

**The Company**

**General Business and Shareholders' Fund**

	<b>Non- Interest Bearing RM'000</b>	<b>Interest-bearing 1 Year or Less RM'000</b>	<b>maturity period 1 to 5 Years RM'000</b>	<b>&gt;5 Years RM'000</b>	<b>Total Carrying Value RM'000</b>	<b>Average Effective Interest Rate %</b>
<b>2009</b>						
<b>Assets</b>						
Investments:						
Malaysian Government Securities	-	-	33,417	4,747	38,164	2.77%
Other government guaranteed low risk assets	-	4,964	20,000	-	24,964	4.49%
Corporate debenture and bonds						
- Unquoted	-	7,999	157,605	33,513	199,117	4.51%
Fixed and call deposits	-	219,119	-	-	219,119	2.18%
Shares and warrants						
- Quoted	57,989	-	-	-	57,989	-
- Unquoted	10,245	-	-	-	10,245	-
Unit trusts						
- Quoted	3,490	-	-	-	3,490	-
- Unquoted	11,006	-	-	-	11,006	-
	<b>82,730</b>	<b>232,082</b>	<b>211,022</b>	<b>38,260</b>	<b>564,094</b>	

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Market risk (cont'd)**

	<b>Non- Interest Bearing RM'000</b>	<b>Interest-bearing 1 Year or Less RM'000</b>	<b>maturity period 1 to 5 Years RM'000</b>	<b>&gt;5 Years RM'000</b>	<b>Total Carrying Value RM'000</b>	<b>Average Effective Interest Rate %</b>
Investment receivables	3,636	-	-	-	3,636	
Advance to trustee	12,155	-	-	-	12,155	
Cash and bank balances	22,210	-	-	-	22,210	
	-----	-----	-----	-----	-----	
Financial assets	120,731	232,082	211,022	38,260	602,095	
	-----	-----	-----	-----	-----	
Other financial assets*					183,936	
Other assets					19,886	
					-----	
<b>Total assets</b>					805,917	
					=====	
<b>Liabilities</b>						
Financial liabilities						
- Other payables and accrued expenses	24,297	-	-	-	24,297	
	-----	-----	-----	-----	-----	
Other financial liabilities*					196,541	
Other liabilities					100,105	
					-----	
<b>Total liabilities</b>					320,943	
					=====	
<b>2008</b>						
<b>Assets</b>						
Investments:						
Malaysian Government Securities	-	-	13,091	4,719	17,810	4.15%
Other government guaranteed low risk assets	-	4,998	24,796	-	29,794	4.58%
Corporate debenture and bonds						
- Unquoted	-	20,006	123,325	44,967	188,298	5.05%
Fixed and call deposits	-	235,186	-	-	235,186	3.45%
Shares and warrants						
- Quoted	57,734	-	-	-	57,734	-
- Unquoted	10,245	-	-	-	10,245	-
Unit trusts						
- Quoted	2,730	-	-	-	2,730	-
- Unquoted	10,964	-	-	-	10,964	-
	-----	-----	-----	-----	-----	
	81,673	260,190	161,212	49,686	552,761	



**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Market risk (cont'd)**

	<b>Non- Interest Bearing RM'000</b>	<b>Interest-bearing maturity period 1 Year or Less RM'000</b>	<b>1 to 5 Years RM'000</b>	<b>&gt;5 Years RM'000</b>	<b>Total Carrying Value RM'000</b>	<b>Average Effective Interest Rate %</b>
Investment receivables	3,317	-	-	-	3,317	
Advance to trustee	1,831	-	-	-	1,831	
Cash and bank balances	25,063	-	-	-	25,063	
	-----	-----	-----	-----	-----	
Financial assets	111,884	260,190	161,212	49,686	582,972	
	-----	-----	-----	-----	-----	
Other financial assets*					194,648	
Other assets					25,501	
					-----	
<b>Total assets</b>					803,121	
					=====	
<b>Liabilities</b>						
Financial liabilities						
- Other payables and accrued expenses	17,604	-	-	-	17,604	
	-----	-----	-----	-----	-----	
Other financial liabilities*					199,394	
Other liabilities					141,692	
					-----	
<b>Total liabilities</b>					358,690	
					=====	

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Market risk (cont'd)**

**Life Fund**

	Non-Interest Bearing RM'000	Interest-bearing maturity period			Total Carrying Value RM'000	Average Effective Interest Rate %
		1 Year or Less RM'000	1 to 5 Years RM'000	>5 Years RM'000		
<b>2009</b>						
<b>Assets</b>						
Investments:						
Malaysian Government Securities	-	-	34,402	303,329	337,731	4.33%
Other government guaranteed low risk assets	-	44,669	13,000	73,681	131,350	4.12%
Corporate debentures and bonds						
- Unquoted	-	43,177	1,013,256	951,166	2,007,599	5.19%
Policy loans	24,633	-	-	-	24,633	6.50%
Premium loans	595,648	-	-	-	595,648	5.60%
Structured investment, fixed and call deposits	-	661,543	142,702	62,000	866,245	2.95%
Shares and warrants						
- Quoted	295,336	-	-	-	295,336	-
- Unquoted	2,147	-	-	-	2,147	-
Unit trusts						
- Quoted	60,790	-	-	-	60,790	-
	978,554	749,389	1,203,360	1,390,176	4,321,479	
Investment receivables	34,989	-	-	-	34,989	
Cash and bank balances	1,782	-	-	-	1,782	
Financial assets	1,015,325	749,389	1,203,360	1,390,176	4,358,250	
Other financial assets*					33,867	
Other assets					90,339	
Investment properties					221,600	
<b>Total assets</b>					<b>4,704,056</b>	

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Market risk (cont'd)

	Non-Interest Bearing RM'000	Interest-bearing 1 Year or Less RM'000	maturity period 1 to 5 Years RM'000	>5 Years RM'000	Total Carrying Value RM'000	Average Effective Interest Rate %
<b>Liabilities</b>						
Financial liabilities						
- Other payables and accrued expenses	58,118	-	-	-	58,118	
Other financial liabilities*					4,643,958	
Other liabilities					1,980	
<b>Total liabilities</b>					<b>4,704,056</b>	
<b>2008</b>						
<b>Assets</b>						
Investments:						
Malaysian Government Securities	-	21,041	52,364	242,163	315,568	4.62%
Other government guaranteed low risk assets	-	37,464	43,168	86,082	166,714	4.54%
Corporate debentures and bonds						
- Unquoted	-	133,275	698,040	808,935	1,640,250	5.19%
Policy loans	-	-	-	23,366	23,366	7.70%
Premium loans	-	-	-	533,246	533,246	5.50%
Structured investment, fixed and call deposits	-	895,979	41,279	20,000	957,258	3.79%
Shares and warrants						
- Quoted	300,552	-	-	-	300,552	-
- Unquoted	2,147	-	-	-	2,147	-
Unit trusts						
- Quoted	64,365	-	-	-	64,365	-
	367,064	1,087,759	834,851	1,713,792	4,003,466	
Investment receivables	26,120	-	-	-	26,120	
Cash and bank balances	6,823	-	-	-	6,823	
<b>Financial assets</b>	<b>400,007</b>	<b>1,087,759</b>	<b>834,851</b>	<b>1,713,792</b>	<b>4,036,409</b>	

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Market risk (cont'd)**

	<b>Non- Interest Bearing RM'000</b>	<b>Interest-bearing 1 Year or Less RM'000</b>	<b>maturity period 1 to 5 Years RM'000</b>	<b>&gt;5 Years RM'000</b>	<b>Total Carrying Value RM'000</b>	<b>Average Effective Interest Rate %</b>
Other financial assets*					40,516	
Non-financial assets					21,253	
Investment properties					211,600	
					-----	
<b>Total assets</b>					<b>4,309,778</b>	
					=====	
<b>Liabilities</b>						
Financial liabilities						
- Other payables and accrued expenses	50,387	-	-	-	50,387	
	-----	-----	-----	-----		
Other financial liabilities*					4,256,186	
Other liabilities					3,205	
					-----	
<b>Total liabilities</b>					<b>4,309,778</b>	
					=====	
<b>Unit Link Fund</b>						
	<b>Non- Interest Bearing RM'000</b>	<b>Interest-bearing 1 Year or Less RM'000</b>	<b>maturity period 1 to 5 Years RM'000</b>	<b>&gt;5 Years RM'000</b>	<b>Total Carrying Value RM'000</b>	<b>Average Effective Interest Rate %</b>
<b>2009</b>						
<b>Assets</b>						
Other government guaranteed low risk assets	-	-	6,987	536	7,523	4.61%
Corporate debentures and bonds						
- Unquoted	-	3,016	19,831	14,436	37,283	4.97%
Fixed and call deposits	-	96,239	25,727	-	121,966	2.45%
Shares and warrants						
- Quoted	181,984	-	-	-	181,984	-
Unit trusts						
- Quoted	6,378	-	-	-	6,378	-
- Unquoted	7,147	-	-	-	7,147	-
	-----	-----	-----	-----	-----	
	195,509	99,255	52,545	14,972	362,281	
Investment receivables	1,777	-	-	-	1,777	
Cash and bank balances	864	-	-	-	864	
	-----	-----	-----	-----	-----	
Financial assets	198,150	99,255	52,545	14,972	364,922	
	-----	-----	-----	-----	-----	

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Market risk (cont'd)**

	<b>Non- Interest Bearing RM'000</b>	<b>Interest-bearing 1 Year or Less RM'000</b>	<b>Interest-bearing maturity period 1 to 5 Years RM'000</b>	<b>Interest-bearing maturity period &gt;5 Years RM'000</b>	<b>Total Carrying Value RM'000</b>	<b>Average Effective Interest Rate %</b>
Other financial assets*					1,041	
Other assets					1,712	
<b>Total assets</b>					<u>367,675</u>	
<b>Liabilities</b>						
Other liabilities					1,735	
<b>Total liabilities</b>					<u>1,735</u>	
<b>2008</b>						
<b>Assets</b>						
Other government guaranteed low risk assets	-	-	-	2,449	2,449	4.56%
Corporate debentures and bonds						
- Unquoted	-	5,295	20,107	5,531	30,933	5.06%
Fixed and call deposits	-	75,777	24,225	-	100,002	3.48%
Shares and warrants						
- Quoted	162,238	-	-	-	162,238	-
Unit trusts						
- Quoted	6,212	-	-	-	6,212	-
- Unquoted	9,114	-	-	-	9,114	-
	<u>177,564</u>	<u>81,072</u>	<u>44,332</u>	<u>7,980</u>	<u>310,948</u>	
Investment receivables	2,677	-	-	-	2,677	
Cash and bank balances	513	-	-	-	513	
<b>Financial assets</b>	<u>180,754</u>	<u>81,072</u>	<u>44,332</u>	<u>7,980</u>	<u>314,138</u>	
Other financial assets*					360	
Other assets					2,003	
<b>Total assets</b>					<u>316,501</u>	

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Market risk (cont'd)**

	<b>Non- Interest Bearing RM'000</b>	<b>Interest-bearing 1 Year or Less RM'000</b>	<b>maturity period 1 to 5 Years RM'000</b>	<b>&gt;5 Years RM'000</b>	<b>Total Carrying Value RM'000</b>	<b>Average Effective Interest Rate %</b>
<b>Liabilities</b>						
Other liabilities					2,160	
<b>Total liabilities</b>					2,160	

\* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under insurance contracts, and interest in subsidiaries is not shown as it is excluded from the scope of FRS 132 "Financial Instruments: Disclosure and Presentation".

**(c) Liquidity risk**

Liquidity risk arises due to inability of the Group and the Company to meet its financial obligations as and when they fall due. A significant amount of investible funds are placed with financial institutions as fixed and call deposits and other money market instruments. The Group and the Company endeavor to manage the maturity profiles of these instruments in order to ensure that sufficient funds are available at all times, to meet the day to day working capital requirements.

**(d) Estimated fair value**

The methods and assumptions used by the Group and the Company in estimating the fair value of the financial instruments are as follows:-

- (i) Fair values of quoted investments are based on quoted market price;
- (ii) The fair values of Malaysian Government Securities, other government guaranteed low risk assets, corporate debentures and bonds are calculated using the discounted cash flow method based on the maturity of the instruments at discount rates representing the average market rates quoted by at least two licensed financial institutions;

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(d) Estimated fair value (cont'd)**

- (iii) The fair values of fixed rate loans are estimated by discounting future cash flows, taking into consideration the contractual terms of these loans. Based on the Group's and the Company's assessment as at 30 June 2009, the estimated fair values of these loans approximate their carrying values; and
- (iv) The carrying value of cash at banks and on deposit which are short term in nature, approximate their carrying values as at 30 June 2009.

The carrying values of financial instruments as at 30 June 2009 approximate the fair values, except for the following:-

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group</b>				
<b>General business and Shareholders' Fund</b>				
Malaysian Government Securities	38,164	17,810	38,832	17,813
Other government guaranteed low risk assets*	24,963	29,794	24,248	29,018
Corporate debentures and bonds				
- Quoted	7,879	1,619	8,784	1,691
- Unquoted	199,117	188,298	200,513	186,058
Shares, warrants and loan stock				
- Quoted	57,989	70,838	57,989	71,696
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****29. FINANCIAL INSTRUMENTS (CONT'D)****(e) Estimated fair value (cont'd)**

	Carrying Value		Fair Value	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
<b>Life Fund</b>				
Malaysian Government Securities*	337,731	315,568	337,020	310,188
Other government guaranteed low risk assets*	131,350	166,714	123,824	160,477
Corporate debentures and bonds				
- Unquoted	2,007,599	1,640,250	2,047,861	1,617,199
Shares, warrants and loan stock				
- Quoted	295,336	300,552	295,336	300,825
Unit trusts				
- Quoted	60,790	64,365	60,802	69,365
Structured investments	160,268	39,835	170,981	39,835
	-----	-----	-----	-----
	2,993,074	2,527,284	3,017,207	2,497,889
	=====	=====	=====	=====

**The Company****General business and  
Shareholders' Fund**

Malaysian Government Securities	38,164	17,810	38,832	17,813
Other government guaranteed low risk assets*	24,963	29,794	24,248	29,018
Corporate debentures and bonds				
- Unquoted	199,117	188,298	200,513	186,058
Shares, warrants and loan stock				
- Quoted	57,989	57,734	57,989	59,234
	-----	-----	-----	-----
	344,974	317,575	346,323	316,062
	=====	=====	=====	=====



**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****29. FINANCIAL INSTRUMENTS (CONT'D)****(f) Estimated fair value (cont'd)**

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Life Fund</b>				
Malaysian Government Securities*	337,731	315,568	337,020	310,188
Other government guaranteed low risk assets*	131,350	166,714	123,824	160,477
Corporate debentures and bonds				
- Unquoted	2,007,599	1,640,250	2,029,244	1,617,199
Shares, warrants and loan stock				
- Quoted	295,336	300,552	295,336	300,825
Unit trusts				
- Quoted	60,790	64,365	60,802	69,365
Structured investments	160,268	39,835	170,981	39,835
	-----	-----	-----	-----
	2,993,074	2,527,284	3,017,207	2,497,889
	=====	=====	=====	=====

\* The carrying value of these financial instruments were not written-down to its fair value as the Directors are of the opinion that the diminution in value of these investments is temporary in nature.

**30. CAPITAL COMMITMENTS**

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:-

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group</b>				
Authorised and contracted for	240	99	1,100	69,034
Authorised but not contracted for	14,678	2,026	14,671	1,575
	-----	-----	-----	-----
	14,918	2,125	15,771	70,609
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**30. CAPITAL COMMITMENTS (CONT'D)**

	<b>General business and Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Company</b>				
Authorised and contracted for	240	99	1,100	69,034
Authorised but not contracted for	14,678	2,026	14,671	1,575
	-----	-----	-----	-----
	14,918	2,125	15,771	70,609
	=====	=====	=====	=====

**31. IMMEDIATE AND ULTIMATE HOLDING COMPANIES**

The immediate and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

**32. SIGNIFICANT RELATED PARTY TRANSACTIONS**

**(a) Related parties and relationships**

The related parties of, and their relationships with the Group/Company are as follows:-

<b><u>Related Parties</u></b>	<b><u>Relationship</u></b>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and Hong Leong Share Registration Services Sdn Bhd ("HLCM Capital Group")	Subsidiary companies of ultimate holding company
MPI Holdings Sdn Bhd and its subsidiaries and associated companies as disclosed in its financial statements ("MPI Group")	Subsidiary companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiaries and associated companies as disclosed in its financial statements ("GLM Group")	Subsidiaries and associated companies of ultimate holding company

COMPANY NUMBER (94613-X)

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

**(a) Related parties and relationships**

<u>Related Parties</u>	<u>Relationship</u>
Hong Leong Industries Berhad and its subsidiaries and associated companies as disclosed in its financial statements	Subsidiaries and associated companies of ultimate holding company ("HLI Group")
Hume Industries (Malaysia) Berhad and its subsidiaries and associated companies as disclosed in its financial statements ("HIMB Group")	Subsidiaries and associated companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company
Subsidiaries and associated companies of HLFG as disclosed in its financial statements ("HLFG Group")	Subsidiaries and associated companies of holding company
GuoLine Capital Assets Limited and its subsidiaries and associated companies as disclosed in its financial statements ("GuoLine Capital Assets Group")	Subsidiaries and associated companies of ultimate holding company

**(b) The significant related party transactions during the financial year are set out below:-**

	<b>Ultimate Holding Company RM'000</b>	<b>Immediate Holding Company RM'000</b>	<b>Key Management Personnel RM'000</b>	<b>Other Related Parties RM'000</b>
<b>The Group</b>				
<b>2009</b>				
<b>Income</b>				
Gross premium received/ receivable	94	5,748	111	16,374
Rental income	1,568	14,188	-	931
Interest income	-	12,478	-	2,350
	-----	-----	-----	-----
	1,662	32,414	111	19,655
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)****(b) The significant related party transactions during the financial year are set out below:- (cont'd)**

	<b>Ultimate Holding Company RM'000</b>	<b>Immediate Holding Company RM'000</b>	<b>Key Management Personnel RM'000</b>	<b>Other Related Parties RM'000</b>
<b>Expenditure</b>				
Commission paid/payable	-	5,763	-	3,739
Management and professional fee paid/payable	1,127	3,461	-	937
Authorised depository fee	-	48	-	-
Brokerage fee	-	204	-	-
Credit card merchant fees	-	9,007	-	-
Training expenses	-	1	-	-
Rental and deposits paid	-	-	-	2,939
Others	-	2,824	-	1,703
	----- 1,127	----- 21,308	----- -	----- 9,318
	=====	=====	=====	=====
<b>Assets</b>				
Receivables	19	326	-	2,687
Short term placements and fixed deposits in investments	-	441,102	-	-
Bank balances in cash and bank balances	-	14,361	-	-
	----- 19	----- 455,789	----- -	----- 2,687
	=====	=====	=====	=====
<b>Liabilities</b>				
Payables	400	3,682	101	593
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

- (b) The significant related party transactions during the financial year are set out below:- (cont'd)

	Ultimate Holding Company RM'000	Immediate Holding Company RM'000	Key Management Personnel RM'000	Other Related Parties RM'000
<b>2008</b>				
<b>Income</b>				
Gross premium received/ receivable	120	5,542	56	18,728
Rental income	1,358	14,408	-	2,635
Interest income	-	15,980	-	1,707
	----- 1,478	----- 35,930	----- 56	----- 23,070
	=====	=====	=====	=====
<b>Expenditure</b>				
Commission paid/payable	-	5,353	-	4,875
Management and professional fee paid/payable	1,369	4,711	-	363
Authorised depository fee	-	48	-	-
Brokerage fee	-	738	-	-
Credit card merchant fees	-	7,747	-	-
Training expenses	1	-	-	10
Rental and deposit paid	-	-	-	4,004
Other expenses	3	2,643	10	1,202
	----- 1,373	----- 21,240	----- 10	----- 10,454
	=====	=====	=====	=====
<b>Assets</b>				
Receivables	13	20	6	11,087
Short term placements and fixed deposits in investments	-	295,626	-	-
Bank balances in cash and bank balances	-	27,583	-	-
	----- 13	----- 323,229	----- 6	----- 11,087
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

(b) The significant related party transactions during the financial year are set out below:- (cont'd)

	<b>Ultimate Holding Company RM'000</b>	<b>Immediate Holding Company RM'000</b>	<b>Key Management Personnel RM'000</b>	<b>Other Related Parties RM'000</b>
<b>Liabilities</b>				
Payables	398	3,698	10	1,412
	=====	=====	=====	=====
<b>The Company</b>				
<b>2009</b>				
<b>Income</b>				
Gross premium received/ receivable	94	5,748	111	15,616
Rental income	1,568	14,188	-	931
Interest income	-	11,814	-	2,350
	-----	-----	-----	-----
	1,662	31,750	111	18,897
	=====	=====	=====	=====
<b>Expenditure</b>				
Commission paid/payable	-	5,763	-	3,730
Management and professional fee paid/payable	1,127	3,461	-	633
Authorised depository fee	-	48	-	-
Brokerage fee	-	204	-	-
Credit card merchant fees	-	9,007	-	-
Training expenses	-	1	-	-
Rental and deposit paid	-	-	-	2,939
Others	-	2,824	-	506
	-----	-----	-----	-----
	1,127	21,308	-	7,808
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

(b) The significant related party transactions during the financial year are set out below:- (cont'd)

	<b>Ultimate Holding Company RM'000</b>	<b>Immediate Holding Company RM'000</b>	<b>Key Management Personnel RM'000</b>	<b>Other Related Parties RM'000</b>
<b>Assets</b>				
Receivables	19	326	-	2,687
Short term placements and fixed deposits in investments	-	414,136	-	-
Bank balances in cash and bank balances	-	13,758	-	-
	----- 19	----- 428,220	----- -	----- 2,687
	=====	=====	=====	=====
<b>Liabilities</b>				
Payables	400	3,682	101	792
	=====	=====	=====	=====
<b>The Company</b>				
<b>2008</b>				
<b>Income</b>				
Gross premium received/ receivable	120	5,535	56	17,924
Rental income	1,358	14,408	-	2,635
Interest income	-	15,250	-	1,670
	----- 1,478	----- 35,193	----- 56	----- 22,229
	=====	=====	=====	=====

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)****(b) The significant related party transactions during the financial year are set out below:- (cont'd)**

	<b>Ultimate Holding Company RM'000</b>	<b>Immediate Holding Company RM'000</b>	<b>Key Management Personnel RM'000</b>	<b>Other Related Parties RM'000</b>
<b>Expenditure</b>				
Commission paid/payable	-	5,353	-	4,855
Management and professional fee paid/payable	1,369	4,711	-	-
Authorised depository fee	-	48	-	-
Brokerage fee	-	738	-	-
Credit card merchant fees	-	7,747	-	-
Training expenses	1	-	-	10
Rental and deposits paid	-	-	-	4,004
Other expenses	3	2,642	10	482
	----- 1,373 =====	----- 21,239 =====	----- 10 =====	----- 9,351 =====
<b>Assets</b>				
Receivables	13	20	6	11,087
Short term placements and fixed deposits in investments	-	263,215	-	-
Bank balances in cash and bank balances	-	26,959	-	-
	----- 13 =====	----- 290,194 =====	----- 6 =====	----- 11,087 =====
<b>Liabilities</b>				
Payables	398	3,698	10	800
	=====	=====	=====	=====

The above transactions are transacted in the normal course of business of the Group and Company on arm's length basis and on normal commercial terms.



**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

**(c) Key Management Personnel**

The remuneration of key management personnel are as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Executive Director				
- Salary and other remuneration	1,841	1,705	1,841	1,705
- Benefits-in-kind	193	182	193	182
	-----	-----	-----	-----
	2,034	1,887	2,034	1,887
Non-executive Directors				
- Fees	401	382	365	365
	-----	-----	-----	-----
Total Directors' Remuneration	2,435	2,269	2,399	2,252
	-----	-----	-----	-----
Other Key Management Personnel				
- Salary and other remuneration	5,913	4,500	5,913	4,500
- Benefits-in-kind	80	101	80	101
	-----	-----	-----	-----
Total Other Key Management Personnel	5,993	4,601	5,993	4,601
	-----	-----	-----	-----
Total paid to Key Management Personnel	8,428	6,870	8,392	6,853
	=====	=====	=====	=====

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Group and the Company include all the Directors of the Company and employees of the Company who make certain critical decisions in relation to the strategic direction of the Company.

The remuneration, including benefits-in-kind, attributable to the Company's Chief Executive Officer, during the financial year amounted to RM2,034,000 (2008: RM1,887,000).

**COMPANY NUMBER (94613-X)****HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS****33. EMPLOYEE BENEFITS COST**

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Staff Cost</b>				
Wages, salaries and bonuses	54,253	55,537	43,939	46,153
Defined contribution retirement plan	5,810	6,052	5,186	5,478
Other employee benefits	2,993	4,014	2,993	3,263
	-----	-----	-----	-----
	63,056	65,603	52,118	54,894
	-----	-----	-----	-----
<b>Executive Director</b>				
Wages, salaries and bonuses	1,635	1,518	1,635	1,518
Defined contribution retirement plan	193	182	193	182
Other employee benefits	206	187	206	187
	-----	-----	-----	-----
	2,034	1,887	2,034	1,887
	-----	-----	-----	-----
	65,090	67,490	54,152	56,781
	=====	=====	=====	=====

The number of employees of the Group and the Company (excluding Directors) at the end of the financial year was 828 (2008: 852) and 742 (2008: 769) respectively.

**34. SIGNIFICANT EVENT DURING THE YEAR**

On 21 November 2008, the holding company, Hong Leong Financial Group Berhad (“HLFG”) obtained the approval of Bank Negara Malaysia for the proposed rationalisation scheme to streamline and consolidate HLFG’s equity holdings in its insurance company Hong Leong Insurance (Asia) Limited (formerly known as Dao Heng Insurance Co., Limited) (“HLIA”) in Hong Kong and its takaful operator, Hong Leong Tokio Marine Takaful Berhad (“HLTMT”), under HLA Holdings Sdn Bhd (“HLAH”), an intermediate insurance holding company wholly-owned by HLFG, involving the following:

- (i) Proposed transfer of 100% equity interest in HLIA from Allstate Health Benefits Sdn Bhd, (“Allstate”) a wholly-owned subsidiary of Hong Leong Assurance Berhad (HLA) to HLAH;
- (ii) Proposed transfer of 10% equity interest in HLTMT from HLA to HLAH; and
- (iii) Proposed acquisition by HLAH of 55% equity interest in HLTMT from Hong Leong Bank Berhad.

Subsequent to the financial year, the proposed transfer of 100% equity interest in HLIA from Allstate, a wholly-owned subsidiary of HLA, to HLAH was completed on 31 July 2009.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS**

**35. GENERAL INFORMATION**

The Company is a public limited liability company that is incorporated and domiciled in Malaysia.

The business address of the Company is located at Level 26, Menara HLA, 3 Jalan Kia Peng, 50450 Kuala Lumpur.

The financial statements were authorised for issue by the Board in accordance with a resolution of the Directors on 03 August 2009.

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

**STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE  
COMPANIES ACT, 1965**

We, YBhg Dato' Chua Chuan Lim @ Dato' Chua Chuan Teong and Choong Yee How, being two of the Directors of **HONG LEONG ASSURANCE BERHAD**, state that in the opinion of the Directors, the financial statements set out on pages 15 to 121 are drawn up in compliance with the provisions of the Companies Act, 1965 and Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and of the results of the business of the Group and of the Company and the cash flows of the Group and of the Company for the financial year ended on that date.

On behalf of the Board

.....  
YBhg Dato' Chua Chuan Lim @  
Dato' Chua Chuan Teong

.....  
Choong Yee How

Kuala Lumpur  
25 August 2009

**COMPANY NUMBER (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE  
COMPANIES ACT 1965**

I, Tan Liling, being the officer primarily responsible for the financial management of **HONG LEONG ASSURANCE BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 15 to 121 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared        )  
by the above named Tan Liling        )  
at Kuala Lumpur this 25 August 2009    )

Before me

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG ASSURANCE BERHAD (94613-X)**

**Report on the Financial Statements**

We have audited the financial statements of **HONG LEONG ASSURANCE BERHAD**, which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 121.

**Directors' Responsibility for the Financial Statements**

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG ASSURANCE BERHAD (94613-X)  
(CONTINUED)**

**Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the financial year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of the subsidiary of which we have not acted as auditors, which is indicated in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS**  
**(No. AF: 1146)**  
**Chartered Accountants**

**SRIDHARAN NAIR**  
**(No. 2656/05/10 (J))**  
**Chartered Accountant**

Kuala Lumpur  
25 August 2009