

COMPANY NUMBER (94613-X)

HONG LEONG ASSURANCE BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

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HONG LEONG ASSURANCE BERHAD

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 30 June 2014.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of life insurance business. There has been no significant change in the nature of the principal activity during the financial year.

FINANCIAL RESULTS

Net profit for the financial year

RM'000

219,665

DIVIDENDS

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

RM'000

In respect of the financial year ended 30 June 2014:

Dividend paid on 19 Dec 2013:

- Gross interim dividend of 40 sen per share, less income tax at 25%

60,000

- Special dividend of 17.50 sen per share, less income tax at 25%

26,250

86,250

The Directors do not recommend any final dividend for the financial year 30 June 2014.

SHARE CAPITAL

There were no changes in the issued and paid-up share capital of the Company during the financial year.

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.

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DIRECTORS' REPORT (CONT'D)

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for licensed insurers issued by Bank Negara Malaysia ("BNM").

BAD AND DOUBTFUL DEBTS

Before the financial statements 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 financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records 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 would render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

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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 Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company that has arisen since the end of the financial year.

No contingent or other liability 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 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 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 Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations 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 which is likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company 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.

The Company has complied with all the prescriptive requirements of and adopts management practices that are consistent with the principles prescribed under BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers and BNM/RH/GL/003-1 on Minimum Standards for Prudential Management of Insurers (Consolidated) issued by Bank Negara Malaysia ("BNM").

A. Board Responsibilities and Oversight

The Board of Directors ("Board")

The Board's responsibilities include:

- (i) Approve, and from time to time review, the Company's corporate mission statement and broad strategies;
- (ii) Oversee the conduct of the Company's business to evaluate whether the business is being properly managed;
- (iii) Identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- (iv) Approve the Company's risk appetite, internal capital target, Internal Capital Adequacy Assessment Process ("ICAAP") and Capital Management framework;
- (v) Ensure that senior management discharges its responsibilities for the development and effective implementation of the internal capital adequacy assessment process;
- (vi) Review and approve specific investments and divestments which the Board had determined, should be referred to it before implementation;
- (vii) Review and approve material transactions before implementation;
- (viii) Ensure that the Company has adequate management resources to achieve its objectives and to support the CEO/GMD and that a satisfactory plan for management succession is in place;
- (ix) Develop and implement an investor relations programme or shareholder communications policy for the Company;
- (x) Review the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- (xi) If deemed necessary, to appoint Nominating Committee/Remuneration Committee to recommend candidates for directorships and remuneration of executive directors.

The Board comprises the Chairman who is a Non-Independent Non-Executive Director, an Executive Director, three Non-Independent Non-Executive Directors and four Independent Non-Executive Directors. In accordance with the Financial Services Act, 2013 which was enacted on and with effect from 30 June 2013, all Directors are appointed to the Board after prior approval has been obtained from BNM.

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DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board Responsibilities and Oversight (cont'd)

The Board of Directors ("Board") (cont'd)

During the financial year ended 30 June 2014, six (6) Board Meetings were held and the attendance of the Directors was as follows:

<u>Directors</u>	<u>Attendance</u>
YBhg Tan Sri Quek Leng Chan (Chairman)	6/6
YBhg Dato' Chua Chuan Lim @ Chua Chuan Teong	6/6
Mr Choong Yee How	6/6
Mr Quek Kon Sean	6/6
Ms Loh Guat Lan	6/6
Mr Alan John Wilson	6/6
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	6/6
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	6/6
YBhg Datin Ngiam Pick Ngoh	5/6

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.

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DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board Responsibilities and Oversight (cont'd)

Nominating Committee

The members of the Nominating Committee are as follows:

YBhg Dato' Chua Chuan Lim @ Chua Chuan Teong

(Chairman, Independent Non-Executive Director)

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

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

YBhg Dato' Siow Kim Lun @ Siow Kim Lin (Independent Non-Executive Director)

YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

(Independent Non-Executive Director)

The Nominating Committee's functions and responsibilities are set out in the terms of reference as follows:

- (i) Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer;
- (ii) Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer;
- (iii) Review 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) Assess 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) Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities; and
- (vi) Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2014, three (3) Nominating Committee Meetings were held and the attendance of the Members was as follows:

<u>Members</u>	<u>Attendance</u>
YBhg Dato' Chua Chuan Lim @ Chua Chuan Teong (Chairman)	3/3
YBhg Tan Sri Quek Leng Chan	3/3
Mr Choong Yee How	3/3
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	3/3
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	3/3

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DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Directors' Remuneration

Remuneration Committee

The members of the Remuneration Committee are as follows:

YBhg Dato' Chua Chuan Lim @ Chua Chuan Teong

(Chairman, Independent Non-Executive Director)

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

YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

(Independent Non-Executive Director)

The Remuneration Committee's functions and responsibilities are set out in the terms of reference as follows:

- (i) Recommend to the Board the framework governing the remuneration of the:
 - Directors;
 - Chief Executive Officer; and
 - key senior management officers.
- (ii) Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- (iii) Review the remuneration packages of key senior management officers.

During the financial year ended 30 June 2014, 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 is set out in Note 23(b) to the financial statements.

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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 Company is overseen by the BARMC, which comprises the following members:

YBhg Dato' Siow Kim Lun @ Siow Kim Lin

(Chairman, Independent Non-Executive Director - re-designated as Chairman w.e.f 15.1.2014)

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

YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

(Independent Non-Executive Director)

Terms of reference

The primary functions and responsibilities of the BARMC are set out in the terms of reference as follows:

Audit

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the officers of the Company to the external auditors.
- To review and assess the objectivity, performance and independence of the external auditors and to recommend the appointment or re-appointment of external auditors.
- To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors.
- To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts.
- To engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the group financial controller, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.
- To review the quarterly reports and annual financial statements of the Company prior to the approval by the Board.
- To review the performance and adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function as stipulated in the Service Level Agreement.

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DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

C. Accountability and Audit (cont'd)

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

Terms of reference (cont'd)

Audit (cont'd)

- To review the report and findings of the internal audit department including any findings of internal investigations and the management's response thereto.
- To consider the provision of non-audit services by the external auditors.
- To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the head of internal audit.
- 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.
- Other audit functions as may be agreed to by the BARMC and the Board.

Risk management and compliance

- To oversee senior management's activities in managing credit, market, liquidity, operational, compliance and IT risks and to ensure that the risk management process is in place and functioning.
- To review and report to the Board measures taken to:
 - (a) Identify and examine principal risks faced by the Company.
 - (b) Implement appropriate systems and internal controls to manage these risks.
- To review, recommend and/or endorse the Company's major risk management strategies, policies and risk tolerance for Board's approval.
- To endorse the Company's risk appetite, Internal Target Capital Level ("ITCL"), Internal Capital Adequacy Assessment Process ("ICAAP") and Capital Management framework for Board's approval.
- To oversee and monitor implementation of the Risk and Capital Management Plan and activities adopted by the Company.
- To ensure that senior management discharges its responsibilities for the development and effective implementation of the ICAAP.
- To review periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
- To review the adequacy and effectiveness of internal controls and risk management process.
- To review related party transactions and conflict of interest situations that may arise within the Company or the Group including any transaction, procedure or conduct that raises questions of management integrity.

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DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

C. Accountability and Audit (cont'd)

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

Terms of reference (cont'd)

Risk management and compliance (cont'd)

- To review and assess adequacy of risk management and compliance policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- To ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities.
- Oversight of the Company's compliance activities and ensuring the Company is in compliance with all established policies, guidelines and external regulations.
- To review all non-compliance incidences and recommend corrective actions where necessary.
- To review and consider the impact of new laws, regulations, guidelines affecting the Company's operations and ensuring adequate resources are committed and realistic action plans are carried out within the stipulated deadline set.
- Other risk management and compliance functions as may be agreed to by the BARMC and the Board.

Authority

The BARMC is authorised by the Board to review any activity of the Company within its terms of reference. It is authorised to seek any information it requires from any Director or member of management.

The BARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

Activities

During the financial year ended 30 June 2014, six (6) BARMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	6/6
YBhg Dato' Chua Chuan Lim @ Chua Chuan Teong	6/6
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	6/6

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DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

C. Accountability and Audit (cont'd)

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

The BARMC also had two (2) separate sessions with the external auditors without the presence of executive directors and management.

The BARMC reviewed the quarterly reports and annual financial statements of the Company. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Company and discussed applicable accounting and auditing standards. The BARMC also assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BARMC also reviewed the internal auditor's audit findings and recommendations.

In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management, relevant management information system and processes to identify, evaluate and manage the significant risks of the Company.

The BARMC reviewed various related party transactions carried out by the Company.

Group Internal Audit Division ("GIAD")

The Company's internal audit function is carried out by the GIAD. GIAD employs a risk-based assessment approach in auditing the Company's business and operational activities. The high risk activities are given due attention and audited on a more regular basis while the rest are prioritised accordingly to the potential risk exposure and impact.

During the financial year ended 30 June 2014, GIAD carried out its duties covering audit on operations, financial, actuarial, risk, compliance and information system. These audits are performed in line with BNM Guidelines on Internal Audit Function and BNM Guidelines on Management of IT Environment.

The cost incurred for the internal audit function in respect of the current financial year was RM575,000 (2013: RM604,000).

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DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

C. Accountability and Audit (cont'd)

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

Financial Reporting

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

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 Company 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 Company has put in place adequate 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 Company 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 Company provide for the setting of goals and training of each employee. The Company conducts formal appraisals for each employee on an annual basis.

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

Corporate Independence

The Company has complied with BNM's Guidelines on Related Party Transactions (BNM/RH/GL-018-6) in respect of all its related party undertakings. 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 28 to the financial statements.

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DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

C. Accountability and Audit (cont'd)

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

Public Accountability

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

Relationship with Auditors

The external auditors are appointed on the recommendation by the BARMC, which 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 (Chairman)

YBhg Dato' Chua Chuan Lim @ Chua Chuan Teong

Mr Choong Yee How

Mr Quek Kon Sean

Ms Loh Guat Lan

Mr Alan John Wilson

YBhg Dato' Siow Kim Lun @ Siow Kim Lin

YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

YBhg Datin Ngiam Pick Ngoh

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

According to the register of Directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations during the financial year are as follows:

**Shareholdings in which Directors have direct interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds**

	Nominal value per share RM	As at <u>1/7/2013</u>	<u>Acquired</u>	<u>Sold</u>	As At <u>30/6/2014</u>
Interests of					
YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Narra Industries Berhad	1.00	8,150,200	-	(8,150,200)	-
Guoco Group Limited ("GGL")	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(1)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	USD0.20	735,000	-	-	735,000
The Rank Group Plc ("Rank")	GBP13 ^{8/9} p	-	285,207 ⁽¹⁰⁾	-	285,207

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DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

Shareholdings in which Directors have direct interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1/7/2013	Acquired	Sold	As At 30/6/2014
Interest of					
Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	4,784,000	2,646,000 ⁽¹²⁾	(4,330,000)	3,100,000
		4,396,000 *	-	(2,646,000) ⁽¹²⁾	1,750,000 *
Interest of					
Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	1,495,000	1,180,000 ⁽¹²⁾	(500,000)	2,175,000
		2,080,000 *	-	(1,180,000) ⁽¹²⁾	900,000 *

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

Shareholdings in which Directors have direct interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1/7/2013	Acquired	Sold	As At 30/6/2014
Interests of					
YBhg Dato' Chua Chuan Lim @					
Chua Chuan Teong in:					
Hong Leong Industries Berhad	0.50	8,000	-	-	8,000
Hong Leong Financial Group Berhad	1.00	268,643	-	-	268,643
GuocoLand (Malaysia) Berhad	0.50	151,171	-	-	151,171
Hong Leong Bank Berhad	1.00	36,000	-	-	36,000
Malaysian Pacific Industries Berhad	0.50	3,000	-	-	3,000
Southern Steel Berhad	1.00	8,000	-	-	8,000

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DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

Shareholdings in which Directors have direct interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	<u>Nominal value per share RM</u>	<u>As at 1/7/2013</u>	<u>Acquired</u>	<u>Sold</u>	<u>As At 30/6/2014</u>
Interest of Dato' Siow Kim Lun @ Siow Kim Lin in: GuocoLand (Malaysia) Berhad	0.50	15,000	-	-	15,000
Interest of Datin Linda Ngiam Pick Ngoh in: Hong Leong Bank Berhad	1.00	5,000	-	-	5,000
Interests of Ms Loh Guat Lan in: Hong Leong Financial Group Berhad	1.00	175,000 175,000 *	175,000 ⁽¹²⁾ -	(107,000) (175,000) ⁽¹²⁾	243,000 - *

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

Shareholdings in which Directors have deemed interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1/7/2013	Acquired	Sold	As At 30/6/2014
Interests of					
YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	-	-	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
Hong Leong Capital Berhad	1.00	200,805,058	-	-	200,805,058
Hong Leong Bank Berhad	1.00	1,160,619,285	-	(70,000)	1,160,549,285
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	-	-	140,000,000
Hong Leong Industries Berhad	0.50	246,136,603 ⁽⁶⁾	-	-	246,136,603 ⁽⁶⁾
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
	1.00	6,941 ⁽⁷⁾	-	-	6,941 ⁽⁷⁾
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

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

Shareholdings in which Directors have deemed interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at <u>1/7/2013</u>	<u>Acquired</u>	<u>Sold</u>	As At <u>30/6/2014</u>
Interests of					
YBhg Tan Sri Quek Leng Chan in: (cont'd)					
Century Touch Sdn Bhd (In members' voluntary liquidation)	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd (In members' voluntary liquidation)	1.00	7,934,247	-	-	7,934,247
Malaysian Pacific Industries Berhad	0.50	107,782,357 ⁽⁶⁾	4,169,000	-	111,951,357 ⁽⁶⁾
Carter Realty Sdn Bhd	1.00	7	5,640,600	-	5,640,607
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 ⁽⁷⁾	-	-	22,400 ⁽⁷⁾

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

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

Shareholdings in which Directors have deemed interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1/7/2013	Acquired	Sold	As At 30/6/2014
Interests of					
YBhg Tan Sri Quek Leng Chan in: (cont'd)					
Narra Industries Berhad	1.00	38,314,000	-	(460,900)	37,853,100
Guoco Group Limited ("GGL")	USD0.50	244,415,930	-	(7,291,000)	237,124,930
GuocoLand Limited	(1)	819,244,363 ⁽⁶⁾	-	-	819,244,363 ⁽⁶⁾
Southern Steel Berhad	1.00	301,541,202	-	-	301,541,202
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	118,822,953	-	-	118,822,953
	1.00	50,000 ⁽⁸⁾	-	-	50,000 ⁽⁸⁾
Belmeth Pte. Ltd.	(1)	40,000,000	-	-	40,000,000
Guston Pte. Ltd.	(1)	8,000,000	-	-	8,000,000
Perfect Eagle Pte. Ltd.	(1)	24,000,000	-	-	24,000,000
First Garden Development Pte Ltd	(1)	63,000,000	-	-	63,000,000
Sanctuary Land Pte Ltd	(1)	90,000	-	-	90,000

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

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

Shareholdings in which Directors have deemed interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1/7/2013	Acquired	Sold	As At 30/6/2014
Interests of					
YBhg Tan Sri Quek Leng Chan in: (cont'd)					
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	(2)	150,000,000	-	-	150,000,000
Nanjing Mahui Property Development Co., Ltd	(2)	271,499,800	-	-	271,499,800
Nanjing Xinhaoning Property Development Co., Ltd	(3)	98,010,000	-	(98,010,000)	-
Nanjing XinHaoFu Economic Information Consultants Co., Ltd (formerly known as Nanjing Xinhaoxuan Property Development Co., Ltd)	(3)	11,800,800	119,200	-	11,920,000 ⁽⁹⁾
Shanghai Xinhaojia Property Development Co., Ltd	(2)	3,150,000,000	-	-	3,150,000,000

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

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

Shareholdings in which Directors have deemed interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1/7/2013	Acquired	Sold	As At 30/6/2014
Interests of					
YBhg Tan Sri Quek Leng Chan in: (cont'd)					
Shanghai Xinhaozhong Property Development Co., Ltd	(3)	19,600,000	-	-	19,600,000
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	(2)	50,000,000	-	-	50,000,000
Lam Soon (Hong Kong) Limited	(5)	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	(5)	9,800	-	-	9,800
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	456,055,616	-	-	456,055,616
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000 ⁽⁷⁾	-	-	68,594,000 ⁽⁷⁾

HONG LEONG ASSURANCE BERHAD
 (Company No.94613-X)
 (Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

Shareholdings in which Directors have deemed interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1/7/2013	Acquired	Sold	As At 30/6/2014
Interests of					
YBhg Tan Sri Quek Leng Chan in: (cont'd)					
GuocoLeisure Limited	USD0.20	923,255,425	-	-	923,255,425
The Rank Group Plc ("Rank")	GBP13 ^{8/9} p	291,046,540	65,992,300 ⁽¹⁰⁾	(88,843,871) ⁽¹¹⁾	268,194,969
Interests of					
Mr Quek Kon Sean in:					
Hong Leong Industries Berhad	0.50	750,000	-	-	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	-	-	281,250

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

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

Shareholdings in which Directors have deemed interests
Number of ordinary shares /preference shares/*shares issued or to be issued
or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1/7/2013	Acquired	Sold	As At 30/6/2014
Interests of					
YBhg Dato' Chua Chuan Lim @					
Chua Chuan Teong in:					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Financial Group Berhad	1.00	11,650,079	-	-	11,650,079
Hong Leong Bank Berhad	1.00	136,000	-	(70,000)	66,000
Hong Leong Industries Berhad	0.50	2,298,036	-	-	2,298,036
Narra Industries Berhad	1.00	10,000	-	-	10,000
GuocoLand (Malaysia) Berhad	0.50	3,335,485	-	-	3,335,485
Malaysian Pacific Industries Berhad	0.50	861,764	-	-	861,764
Southern Steel Berhad	1.00	8,315,569	-	-	8,315,569

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

Legend:

- (1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
- (2) Capital contribution in RMB
- (3) Capital contribution in USD
- (4) Capital contribution in HKD
- (5) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong
- (6) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
- (7) Redeemable preference shares
- (8) Redeemable convertible cumulative preference shares
- (9) Became a wholly-owned subsidiary during the financial year
- (10) Entitlement pursuant to the distribution of shares in Rank by GGL to its shareholders as special interim dividend in specie ("Distribution of Rank shares")
- (11) Inclusive of Distribution of Rank shares
- (12) Exercise of share option

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company received or became entitled to receive any 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 its related corporations 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 acquisitions 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 for the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, 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 interests.

Neither at the end of the financial year, nor at anytime during the financial year, did there subsist any arrangement to which the Company was a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Executive Share Option Scheme.

HOLDING COMPANIES

The immediate, penultimate and ultimate holding companies are HLA Holdings Sdn Bhd, Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, all companies incorporated in Malaysia.

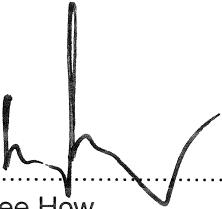
HONG LEONG ASSURANCE BERHAD
(Company No.94613-X)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

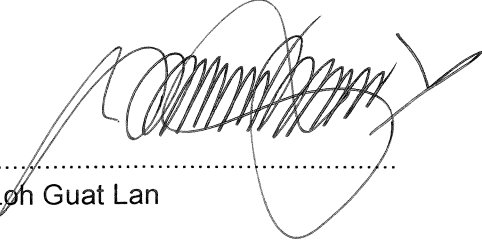
AUDITORS

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.



.....
Choong Yee How



.....
Loh Guat Lan

Petaling Jaya
20 August 2014

HONG LEONG ASSURANCE BERHAD

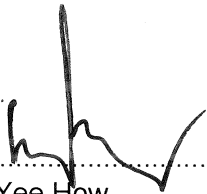
(Company No.94613-X)

(Incorporated in Malaysia)

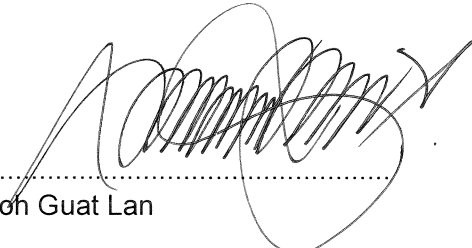
STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Choong Yee How and Loh Guat Lan, being two of the Directors of **HONG LEONG ASSURANCE BERHAD**, state that to the best of knowledge and belief of the Directors, the financial statements set out on pages 32 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 30 June 2014 and of the results of the business of the Company and the cash flows of the Company for the financial year ended on that date.

On behalf of the Board



.....
Choong Yee How



.....
Loh Guat Lan

Petaling Jaya
20 August 2014

HONG LEONG ASSURANCE BERHAD
(Company No.94613-X)
(Incorporated in Malaysia)

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

I, Tang Loon Khoon, 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 32 to 128 are to the best of my knowledge and belief, 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 Tang Loon Khoon)
at Petaling Jaya this 20 August 2014)



Before me

Commissioner for Oaths



No. 34A (Tkt 1), Jalan SS2/67
47300 Petaling Jaya
Selangor Darul Ehsan



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG ASSURANCE BERHAD
(Incorporated in Malaysia)
(Company No. 94613-X)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Assurance Berhad, which comprise the statement of financial position as at 30 June 2014 of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements, as set out on Pages 32 to 128.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of financial statements that give a true and fair view 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 (CONTINUED)
(Incorporated in Malaysia)
(Company No. 94613-X)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2014 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions 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

JAYARAJAN A/L U. RATHINASAMY
(No. 2059/06/16(J))
Chartered Accountant

Kuala Lumpur
20 August 2014

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 RM'000	2013 RM'000
Assets			
Property, plant and equipment	3	90,476	89,765
Intangible assets	4	4,110	3,808
Investment properties	5	241,760	231,680
Financial assets	6	9,534,526	8,311,774
- Held-to-maturity financial assets	6(a)	576,151	401,747
- Available-for-sale financial assets	6(b)	7,314,271	5,935,357
- Fair value through profit or loss financial assets	6(c)	933,177	726,709
- Loans and receivables	6(d)	710,927	1,247,961
Derivative assets	7	1,212	554
Reinsurance assets	13	37,346	50,546
Insurance receivables	8	111,398	90,380
Other receivables	9	42,684	33,349
Non-current assets held-for-sale	10	60	60
Cash and cash equivalents		1,676,061	1,330,745
Total assets		11,739,633	10,142,661
Equity, policyholders' fund and liabilities			
Share capital	11	200,000	200,000
Reserves	12	1,037,848	906,572
Total equity		1,237,848	1,106,572
Insurance contract liabilities	13	8,360,774	7,190,025
Deferred tax liabilities	14	181,079	147,483
Tax payables		16,616	12,588
Insurance payables	15	1,273,312	1,017,486
Other payables	16	157,921	146,582
Derivative liabilities	7	5,242	15,160
Subordinated notes	17	506,841	506,765
Total policyholders' fund and liabilities		10,501,785	9,036,089
Total equity, policyholders' fund and liabilities		11,739,633	10,142,661

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

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

**STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Note	2014 RM'000	2013 RM'000
Gross earned premiums		2,361,748	1,994,820
Premiums ceded to reinsurers		(67,982)	(59,720)
Net earned premiums		<u>2,293,766</u>	<u>1,935,100</u>
Investment income	18	452,373	391,731
Realised gains	19	113,523	154,897
Fair value gains	20	52,191	38,417
Fees and commission income	21	6,189	4,750
Other operating income-net	22	130	-
Other revenue		<u>624,406</u>	<u>589,795</u>
Gross benefits and claims paid		(980,314)	(854,803)
Claims ceded to reinsurers		63,205	58,411
Gross change to contract liabilities		(1,164,805)	(1,051,729)
Change in contract liabilities ceded to reinsurers		(1,763)	529
Net benefits and claims		<u>(2,083,677)</u>	<u>(1,847,592)</u>
Fees and commission expense		(386,247)	(357,920)
Management expenses	23	(120,732)	(112,816)
Other operating expenses-net	22	-	(37,851)
Other expenses		<u>(506,979)</u>	<u>(508,587)</u>
Finance cost		(22,677)	(8,889)
Surplus before taxation		304,839	159,827
Tax expense attributable to participating fund and unitholders		(27,350)	(28,064)
Profit before taxation attributable to shareholders		<u>277,489</u>	<u>131,763</u>
Taxation	24	(85,174)	(55,341)
Tax expense attributable to participating fund and unitholders		27,350	28,064
Taxation attributable to shareholders		(57,824)	(27,277)
Net profit for the financial year		<u>219,665</u>	<u>104,486</u>
Earnings per share (sen)	26	<u>109.83</u>	<u>52.24</u>

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

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Note	2014 RM'000	2013 RM'000
Net profit for the financial year		219,665	104,486
Other comprehensive income:			
<u>Items that may be subsequently reclassified to profit or loss</u>			
Fair value changes on available-for-sale financial assets, net of deferred tax:			
Gross fair value gains arising during the financial year		87,588	186,117
Gross fair value gains transferred to income statement		(90,978)	(83,731)
		<u>(3,390)</u>	<u>102,386</u>
Tax effects thereon	14	524	(13,874)
		<u>(2,866)</u>	<u>88,512</u>
Net fair value (losses)/gains		(2,866)	88,512
Change in insurance contract liabilities arising from net fair value changes		727	(59,123)
		<u>(2,139)</u>	<u>29,389</u>
Total comprehensive income for the financial year		<u><u>217,526</u></u>	<u><u>133,875</u></u>

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

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Note	Issued and fully paid ordinary shares of RM1 each		Reserves			Total RM'000
		No. of shares '000	Share capital RM'000	Non-distributable		Distributable	
				Fair value reserve RM'000	*Retained earnings RM'000	Retained earnings RM'000	
At 1 July 2012		200,000	200,000	69,681	407,438	349,578	1,026,697
Profit for the financial year		-	-	-	23,380	81,106	104,486
Other comprehensive income for the financial year				29,389	-	-	29,389
Dividend payable during the financial year	25	-	-	-	-	(54,000)	(54,000)
At 30 June 2013		<u>200,000</u>	<u>200,000</u>	<u>99,070</u>	<u>430,818</u>	<u>376,684</u>	<u>1,106,572</u>
At 1 July 2013		200,000	200,000	99,070	430,818	376,684	1,106,572
Profit for the financial year		-	-	-	130,228	89,437	219,665
Other comprehensive income for the financial year				(2,139)	-	-	(2,139)
Dividend paid during the financial year	25	-	-	-	-	(86,250)	(86,250)
At 30 June 2014		<u>200,000</u>	<u>200,000</u>	<u>96,931</u>	<u>561,046</u>	<u>379,871</u>	<u>1,237,848</u>

* Non-distributable retained earnings comprise surplus of contracts without discretionary participation features, net of deferred tax, which is attributable wholly to the shareholders and the amount and timing of the distribution to the shareholders is subject to the recommendation of the Company's appointed actuary.

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

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	2014	2013
	RM'000	RM'000
Operating activities		
Net profit for the financial year	219,665	104,486
Adjustments for:		
Investment income recorded in income statement	(452,373)	(391,731)
Realised gains recorded in income statement	(112,644)	(146,497)
Fair value gains recorded in income statement	(52,191)	(38,417)
Foreign exchange (gains)/losses	(4,740)	27,203
Proceeds from sale of fair value through profit or loss financial assets	317,888	179,339
Maturity of fair value through profit or loss financial assets	9,084	20,262
Purchase of fair value through profit or loss financial assets	(470,601)	(314,063)
Proceeds from sale of available-for-sale financial assets	1,554,291	1,088,887
Maturity of available-for-sale financial assets	197,225	615,497
Purchase of available-for-sale financial assets	(3,031,267)	(2,448,380)
Proceeds from sale of held-to-maturity financial assets	26,406	-
Maturity of held-to-maturity financial assets	-	20,000
Purchase of held-to-maturity financial assets	(200,000)	-
(Purchase)/proceeds from realisation of derivatives	(11,062)	40,837
Decrease/(increase) in loan and receivables	530,051	(418,945)
Finance costs	22,677	8,889
	<u>(1,677,256)</u>	<u>(1,757,119)</u>
Non-cash items:		
Depreciation of property, plant and equipment	5,002	5,266
Gains on disposal of property, plant and equipment	-	(157)
Property, plant and equipment written off	21	-
Amortisation of intangible assets	1,582	1,414
Impairment on available-for-sale financial assets	3,700	11,613
Tax expense	85,174	55,341
	<u>95,479</u>	<u>73,477</u>

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 (CONT'D)**

	2014	2013
	RM'000	RM'000
Changes in working capital:		
Decrease/(increase) in reinsurance assets	13,200	(22,528)
Increase in insurance receivables	(21,018)	(26,704)
Increase in other receivables	(9,115)	(16,779)
Increase in insurance contract liabilities	1,171,476	1,041,783
Increase in insurance payables	255,826	200,909
Increase in other payables	11,339	25,949
	<u>1,421,708</u>	<u>1,202,630</u>
Cash generated from/(used in) operating activities	59,596	(376,526)
Dividend income received	88,064	70,396
Interest income received	341,274	299,716
Rental income received	17,667	18,015
Income taxes paid	(44,470)	(34,269)
Net cash inflow/(outflow) from operating activities	<u>462,131</u>	<u>(22,668)</u>
Investing activities		
Proceeds from sale of property, plant and equipment	-	157
Purchase of property, plant and equipment	(6,978)	(3,581)
Purchase of intangible assets	(640)	(314)
Net cash outflow from investing activities	<u>(7,618)</u>	<u>(3,738)</u>
Financing activities		
Dividends paid	(86,250)	(108,000)
Issuance of subordinated notes	-	497,876
Interest paid on subordinated notes	(22,601)	-
Net cash (outflow)/inflow from financing activities	<u>(108,851)</u>	<u>389,876</u>
Effect of exchange rate changes on cash and cash equivalents	(346)	(3,506)
Net increase in cash and cash equivalents	345,316	359,964
Cash and cash equivalents at beginning of the financial year	1,330,745	970,781
Cash and cash equivalents at end of the financial year	<u><u>1,676,061</u></u>	<u><u>1,330,745</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	37,951	25,970
Fixed and call deposits with maturity of less than 3 months		
- Licensed financial institutions	1,638,110	1,304,775
	<u>1,676,061</u>	<u>1,330,745</u>

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

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1 . CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Level 3, Tower B, PJ City Development, No 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya.

The immediate and ultimate holding companies are HLA Holdings Sdn Bhd and Hong Leong Company (Malaysia) Berhad respectively, both incorporated and domiciled in Malaysia.

The Company is engaged principally in the underwriting of life insurance business. There has been no significant change in the nature of the principal activity during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 August 2014.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material to the financial statements.

(a) Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework ("the RBC Framework") as at the date of the statement of financial position.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and the liabilities simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of preparation (cont'd)

The preparation of financial statements in conformity with the MFRS requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 2(m) to the financial statements.

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company's financial year on or after 1 July 2013

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.
- MFRS 10, 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of preparation (cont'd)

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company's financial year on or after 1 July 2013 (cont'd)

- MFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

There were no material changes to the Company's accounting policies other than enhanced disclosures to the financial statements.

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company but not yet effective

The Company will apply the new standards, amendments to standards and interpretations in the following period:

Financial year beginning on/after 1 July 2014

- Amendment to MFRS 132 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of "currently has a legally enforceable right of set-off" that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.
- The Amendment to MFRS 136 'Recoverable Amount Disclosures for Non-Financial Assets' (effective from 1 January 2014) introduces new disclosure requirements when impairment losses are recognised, or reversed, in relation to an asset or a group of assets. The adoption of this Amendment will require more extensive disclosures on recoverable amounts including the basis by which recoverable amounts have been determined.

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NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of preparation (cont'd)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company but not yet effective

Financial year beginning on/after 1 July 2014 (cont'd)

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective from 1 January 2014) introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.
- Amendments to MFRS 139 'Financial Instruments: Recognition and Measurement' – Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014) provide relief from discontinuing hedge accounting in a situation where a derivative (which has been designated as a hedging instrument) is novated to effect clearing with a central counterparty as a result of laws or regulation, subject to meeting the following criteria - the parties to the hedging instrument agree that the central counterparty replaces the original counterparty, other changes to the hedging instrument are limited to those that are necessary to effect replacement of the counterparty.
- IC Interpretation 21, 'Levies' (effective from 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

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NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of preparation (cont'd)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company but not yet effective

Effective date yet to be determined by MASB

- MFRS 9 Financial Instruments “Classification and Measurement of Financial Assets and Financial Liabilities” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”. MFRS 9 has two measurement categories - amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 Financial Instruments “Hedge Accounting” brings into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The revised standard establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in MFRS 139.

The Company is reviewing the adoption of the above accounting standards, amendments to published standards and interpretation to existing standards and the potential impact to the prevailing accounting policies, and will complete the process prior to the reporting requirement deadline.

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NOTES TO THE FINANCIAL STATEMENTS

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

(b) Intangible assets

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 which are 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 which are estimated to be 5 years.

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

(c) Property, plant and equipment and depreciation

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 statement during the financial year which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS

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

(c) Property, plant and equipment and depreciation (cont'd)

Freehold land and capital work-in-progress are not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. 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 land	Over the lease period
Leasehold buildings	Over the remaining period of the lease or 50 years, whichever is shorter
Freehold buildings	50 years
Furniture and fittings	5 - 10 years
Renovation, equipment and computers	5 - 10 years
Motor vehicles	5 years

Depreciation on assets identified as capital work-in-progress commences 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 date of the statement of financial position.

At each date of the statement of financial position, 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)(iii) to the financial statements on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "realised gains and losses" in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS

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

(d) 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.

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. All gains or losses arising from a change in fair value of investment properties are recognised in the income statement.

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 income statement in the financial year in which they arise.

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NOTES TO THE FINANCIAL STATEMENTS

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

(e) 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.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised at its fair value separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), financial assets available-for-sale ("AFS"), financial assets held-to-maturity ("HTM") and loans and receivables ("LAR"). Classification of the financial assets is determined at initial recognition and relates to the purpose for which the investments were acquired.

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NOTES TO THE FINANCIAL STATEMENTS

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

(e) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Financial assets at FVTPL

Financial assets at FVTPL comprise held-for-trading financial assets and financial assets other than held-for-trading that are designated at fair value through profit or loss.

- a) Held-for-trading financial assets are financial assets that are acquired and held principally for the purpose of selling in the short term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. This includes derivatives that are not designated for hedges and all financial assets held in the investment-linked funds.
- b) Financial assets other than held-for-trading that are designated at fair value are classified as such if this eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets classified as FVTPL are subsequently measured at their fair values with the gain or loss recognised in the income statement. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

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NOTES TO THE FINANCIAL STATEMENTS

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

(e) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

AFS financial assets

AFS financial assets are non-derivative financial assets that are not classified in any of the other categories and are measured at fair value.

AFS financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value. Fair value gains or losses of those financial assets are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired. Fair value gains or losses of AFS, net of income tax, are recognised directly in other comprehensive income, except for impairment losses. When these assets are sold or impaired, the accumulated fair value adjustments previously recognised in equity or policyholders' fund are included in the income statement as net realised gains or losses.

HTM financial assets

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention or the ability to hold to maturity.

Financial assets categorised as held-to-maturity are subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

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NOTES TO THE FINANCIAL STATEMENTS

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

(e) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Loans and receivables

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at fair value plus all transaction costs directly attributable to the acquisition. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment.

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.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(h)(ii) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(e)(iii) to the financial statements, are met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(h)(i) to the financial statements).

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NOTES TO THE FINANCIAL STATEMENTS

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

(e) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at fair values with the gain or loss recognised in the income statement.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statement.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS

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

(f) Fair value of financial instruments

The fair values of Malaysian Government Securities, Government Investment Issues and unquoted corporate securities are based on indicative fair market prices/index by reference to the quotations provided by banks and brokers.

The fair values of quoted securities are based on current market prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

The fair value of structured deposits is based on the prices quoted by the issuing financial institution.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value i.e. the cost of the deposits/placements and accrued interest/profits. The fair value of fixed interest or yield-bearing deposits is measured at the face value or market value, whichever is lower.

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NOTES TO THE FINANCIAL STATEMENTS

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

(g) Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises profits immediately.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designated its derivatives as hedges of the fair value of recognised assets (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Company also documents their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

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NOTES TO THE FINANCIAL STATEMENTS

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

(h) Impairment

(i) Financial assets, excluding insurance receivables

The Company assesses at each date of the statement of financial position whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss in respect of loans and other receivables and HTM financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost (e.g. equity instrument of which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

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NOTES TO THE FINANCIAL STATEMENTS

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

(h) Impairment (cont'd)

(i) Financial assets, excluding insurance receivables

Financial assets carried at fair value

In the case of investments classified as AFS, a significant or prolonged decline in the fair value of the financial assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is transferred from other comprehensive income and recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement. Impairment losses previously recognised in the income statement for equity instruments are not reversed through the income statement.

(ii) Insurance receivables

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS

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

(h) Impairment (cont'd)

(iii) 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 statement immediately. Any 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 statement immediately.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash, balances and deposits held at call with financial institutions with maturities of three months or less.

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NOTES TO THE FINANCIAL STATEMENTS

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

(j) Product classification

An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. The Company defines insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the Company are considered insurance contracts as at the date of this statement of financial position.

Investment contracts are those contracts that do not transfer significant insurance risk, but significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
 - performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - profit or loss of the company, fund or other entity that issues the contract.

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NOTES TO THE FINANCIAL STATEMENTS

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

(j) Product classification (cont'd)

Contracts in the participating fund are classified as insurance contracts with DPF and contracts in the non-participating fund are classified as insurance contracts without DPF.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

(k) Reinsurance

The Company cedes insurance risk in the normal course of business for its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

(I) 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. In the event the actuarial valuation indicates that a transfer is required from the shareholders' fund, the transfer from the income statement to the life insurance fund is made in the financial year of the actuarial valuation.

Gross premium

Premium income includes premium recognised in the life fund and the investment-linked fund.

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.

Premium income of the investment-linked fund includes 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.

Reinsurance premium

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

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 income statement in the financial year in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS

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

(I) Life insurance underwriting results (cont'd)

Benefits, claims and expenses

Benefits and claims 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.

Benefits and claims 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.

Insurance contract liabilities

These liabilities comprise claims liabilities, actuarial liabilities, unallocated surpluses, AFS fair value reserves and net asset value attributable to unitholders.

(i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

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NOTES TO THE FINANCIAL STATEMENTS

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

(I) Life insurance underwriting results (cont'd)

Insurance contract liabilities (cont'd)

(i) Actuarial liabilities (cont'd)

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

The liability is derecognised when the contract expires, is discharged or is cancelled.

(ii) Unallocated surplus

Surplus of contracts with DPF is distributable to policyholders and shareholders in accordance with the relevant terms under the Insurance Act, 1996. The Insurance Act, 1996 was repealed and replaced by the Financial Services Act, 2013, except for certain sections in the Insurance Act, 1996 which continue to remain effective. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Surplus of contracts without DPF is attributable wholly to the shareholders and is classified as an equity of the Company. However, the amount and timing of the distribution of surplus of contracts without DPF to the shareholders is subject to the recommendation of the Company's appointed actuary. Unallocated surpluses of DPF, where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

(iii) Fair value adjustment on AFS financial assets

Where unrealised gains or losses arise on AFS financial assets of DPF, the adjustment to the insurance contract liabilities, equals to the effect that the realisation of those gains or losses at the end of the reporting periods would have on those liabilities, is recognised directly in the other comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS

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

(m) Valuation of insurance contract liabilities

The valuation of the insurance liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgment and therefore, actual experience may be materially different than the assumptions made by the Company. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the insurance contract liabilities.

The key assumptions used in the estimation of insurance contract liabilities are as follows:

(i) Interest rate

For the valuation of non-participating fund, the non-unit liabilities of the investment-linked funds and the guaranteed benefits liabilities of the participating fund, the weighted average of Malaysian Government bond yields, as described below, are used.

- (a) For cash flows with duration less than 15 years, Malaysian Government Bond zero coupon spot yields of matching duration are used; and
- (b) For cash flows with duration 15 years or more, Malaysian Government Bond zero coupon spot yields of 15 years to maturity are used

where duration is the term to maturity of each future cash flow.

For the valuation of total benefits liabilities of the participating fund, the net fund based yield is used for ordinary life participating fund while annuity fund will take a higher of the fund based yield and MGS spot rate. The fund based yield for both ordinary life participating fund and annuity fund is 6.5% per annum.

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NOTES TO THE FINANCIAL STATEMENTS

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

(m) Valuation of insurance contract liabilities (cont'd)

(ii) Mortality, morbidity, critical illness, expenses, lapse and surrenders

The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

For the non-participating fund, the non-unit liabilities of the investment-linked funds and the guaranteed benefits liabilities of the participating fund, Provision for Risk of Adverse Deviation ("PRAD") assumptions are added to the best estimates assumptions.

For the valuation of total benefit liabilities of the participating fund, the best estimates assumptions are used.

Adjustments to the liabilities at each reporting date are recorded in the income statement. The liability is derecognised when the contract expires, is discharged or is cancelled.

As the valuation methods used to value liabilities are in accordance with the RBC Framework for insurers, the Company is deemed to have complied with the requirements of a liability adequacy test under MFRS 4 Insurance Contracts.

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NOTES TO THE FINANCIAL STATEMENTS

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

(n) Other income 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 a receipt basis until all arrears have been paid.

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

(o) Taxation

Taxation on the income statement for the financial year 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 date of the statement of financial position, 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 date of the statement of financial position 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 date of the statement of financial position.

A 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.

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NOTES TO THE FINANCIAL STATEMENTS

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

(p) Foreign currencies

Functional and presentation currency

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

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 statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instruments available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in equity or policyholders' fund.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of the financial instruments fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity or policyholders' fund except for gain or loss attributable to the hedged risk (if the hedged item is an AFS financial asset) of a fair value hedge, which shall be recognised in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS

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

(q) 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.

(r) Assets held-for-sale and discontinued operations

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 amounts are recovered principally through a sale transaction rather than through continuing use.

(s) 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 Company.

(ii) Equity compensation benefits

A trust has been set up for an executive share option scheme ("ESOS") by the penultimate 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 provides 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 Company accounts for ESOS transactions as cash-settled as it will provide its employees with HLFG shares. The fair value of the employee services rendered in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting period with a corresponding increase in liability, which is re-measured at each date of the statement of financial position.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. At each date of the statement of financial position, the Company revises its estimates of the number of share options that are expected to vest and recognises the impact of the revision of original estimates, if any, in the measurement, with a corresponding adjustment to liability.

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NOTES TO THE FINANCIAL STATEMENTS

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

(t) Provisions

Provisions are recognised when the 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.

(u) Contingent liabilities and contingent assets

The Company does 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 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 recognised 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 Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

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NOTES TO THE FINANCIAL STATEMENTS**3 . PROPERTY, PLANT AND EQUIPMENT**

	Land		Buildings		Furniture and fittings RM'000	Renovation, equipment and computers RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
	Freehold	Leasehold	Freehold	Leasehold					
	RM'000	RM'000	RM'000	RM'000					
Cost									
At 1 July 2012	363	2,428	181	79,174	3,377	46,401	1,823	1,096	134,843
Additions	-	-	-	-	44	2,053	-	1,484	3,581
Disposal	-	-	-	-	-	-	(481)	-	(481)
Reclassification (Note 4)	-	-	-	-	-	38	-	(1,065)	(1,027)
At 30 June 2013	363	2,428	181	79,174	3,421	48,492	1,342	1,515	136,916
Additions	937	-	562	-	177	1,693	473	3,136	6,978
Written off	-	-	-	-	(1,696)	(11,039)	-	-	(12,735)
Reclassification (Note 4)	-	-	-	-	-	-	-	(1,244)	(1,244)
At 30 June 2014	1,300	2,428	743	79,174	1,902	39,146	1,815	3,407	129,915

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NOTES TO THE FINANCIAL STATEMENTS**3 . PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	<u>Land</u>		<u>Buildings</u>		Furniture and fittings RM'000	Renovation, equipment and computers RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
	Freehold RM'000	Leasehold RM'000	Freehold RM'000	Leasehold RM'000					
Accumulated depreciation									
At 1 July 2012	-	507	57	6,019	2,898	31,742	1,143	-	42,366
Charge for the year	-	34	4	1,584	103	3,332	209	-	5,266
Disposal	-	-	-	-	-	-	(481)	-	(481)
At 30 June 2013	-	541	61	7,603	3,001	35,074	871	-	47,151
Charge for the year	-	34	5	1,584	109	3,040	230	-	5,002
Written off	-	-	-	-	(1,694)	(11,020)	-	-	(12,714)
At 30 June 2014	-	575	66	9,187	1,416	27,094	1,101	-	39,439

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NOTES TO THE FINANCIAL STATEMENTS**3 . PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	<u>Land</u>		<u>Buildings</u>		Furniture and fittings RM'000	Renovation, equipment and computers RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
	Freehold	Leasehold	Freehold	Leasehold					
	RM'000	RM'000	RM'000	RM'000					
Net carrying amount									
At 30 June 2013	363	1,887	120	71,571	420	13,418	471	1,515	89,765
At 30 June 2014	1,300	1,853	677	69,987	486	12,052	714	3,407	90,476

Included in property, plant and equipment are fully depreciated assets which are still in use as follows:

	<u>Land</u>		<u>Buildings</u>		Furniture and fittings RM'000	Renovation, equipment and computers RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
	Freehold	Leasehold	Freehold	Leasehold					
	RM'000	RM'000	RM'000	RM'000					
At cost									
At 30 June 2013	-	-	-	-	2,437	25,446	412	-	28,295
At 30 June 2014	-	-	-	-	762	15,528	546	-	16,836

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NOTES TO THE FINANCIAL STATEMENTS**4. INTANGIBLE ASSETS**

	2014	2013
	RM'000	RM'000
Cost		
At 1 July	67,083	65,742
Additions	640	314
Reclassification (Note 3)	1,244	1,027
Written off	(5,678)	-
At 30 June	<u>63,289</u>	<u>67,083</u>
Accumulated amortisation		
At 1 July	63,275	61,861
Amortisation	1,582	1,414
Written off	(5,678)	-
At 30 June	<u>59,179</u>	<u>63,275</u>
Net carrying amount	<u>4,110</u>	<u>3,808</u>

5. INVESTMENT PROPERTIES

	2014	2013
	RM'000	RM'000
At 1 July	231,680	231,680
Fair value gain	10,080	-
At 30 June	<u>241,760</u>	<u>231,680</u>
The analysis of investment properties is as follows:		
Freehold land and building	240,000	230,000
Leasehold land and building	1,760	1,680
	<u>241,760</u>	<u>231,680</u>

The fair values of the investment properties as at 30 June 2014 were revalued by an independent professional valuer, Rahim & Co while fair values of the investment properties as at 30 June 2013 were estimated in-house based on the properties' fair market value using the direct value comparison and income approach. Fair value changes are recorded in the income statement.

Recurring fair value measurements

The investment properties, which fair value is under Level 2 of the fair value hierarchy, is measured using comparison method. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as land area and location and time factor. The most significant input into this valuation approach is price per square foot.

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NOTES TO THE FINANCIAL STATEMENTS**6. FINANCIAL ASSETS**

	2014	2013
	RM'000	RM'000
Malaysian Government Securities and other Government guaranteed assets	1,201,116	394,695
Debt securities	4,968,399	4,315,058
Equity securities	2,020,668	1,458,452
Unit and property trust funds	538,470	783,239
Structured investments	2,865	62,589
Loans	654,958	669,808
Deposits with financial institutions	148,050	627,933
	<u>9,534,526</u>	<u>8,311,774</u>

The Company's financial assets are summarised by categories as follows:

	2014	2013
	RM'000	RM'000
HTM financial assets	576,151	401,747
AFS financial assets	7,314,271	5,935,357
FVTPL financial assets	933,177	726,709
Loans and receivables	710,927	1,247,961
	<u>9,534,526</u>	<u>8,311,774</u>

The following investments mature within 12 months:

HTM financial assets	-	5,172
AFS financial assets	235,208	195,756
FVTPL financial assets	26,420	9,071
Loans and receivables	710,927	1,247,961
	<u>972,555</u>	<u>1,457,960</u>

The following investments mature after 12 months:

HTM financial assets	576,151	396,575
AFS financial assets	7,079,063	5,739,601
FVTPL financial assets	906,757	717,638
	<u>8,561,971</u>	<u>6,853,814</u>

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NOTES TO THE FINANCIAL STATEMENTS**6 . FINANCIAL ASSETS (CONT'D)****(a) HTM**

	2014	2013
	RM'000	RM'000
At amortised cost:		
Debt securities		
- Unquoted in Malaysia	576,151	401,747
	<u>576,151</u>	<u>401,747</u>
At fair value:		
Debt securities		
- Unquoted in Malaysia	578,774	434,910
	<u>578,774</u>	<u>434,910</u>

(b) AFS

	2014	2013
	RM'000	RM'000
At fair value:		
Malaysian Government Securities and other Government guaranteed assets	1,196,181	394,695
Debt securities		
- Unquoted in Malaysia	3,929,760	3,564,825
- Unquoted outside Malaysia	321,459	229,444
Equity securities		
- Quoted in Malaysia *	1,179,641	747,155
- Unquoted in Malaysia	2,147	2,147
- Quoted outside Malaysia	230,386	210,277
Unit trusts		
- Quoted in Malaysia	116,680	130,822
- Quoted outside Malaysia	-	744
- Unquoted in Malaysia	338,017	595,579
Structured investments		
- Unquoted in Malaysia	-	59,669
	<u>7,314,271</u>	<u>5,935,357</u>

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NOTES TO THE FINANCIAL STATEMENTS**6. FINANCIAL ASSETS (CONT'D)****(b) AFS (cont'd)**

* Includes Hong Leong Financial Group Berhad ("HLFG") ordinary shares held by AmTrustee Berhad for the ESOS scheme by HLFGB as described in Note 2(s)(ii) to the financial statements. On 8 June 2010, HLA granted 700,000 options over ordinary shares of HLFGB ("Options") to its eligible executives. Vesting of the Options were completed in three (3) stages as follows:

- (a) 30% was vested on 8 June 2012;
- (b) 35% was vested on 8 June 2013;
- (c) 35% was vested on 8 June 2014.

There is no new option granted during the financial year (2013: Nil).

(c) FVTPL

	2014	2013
	RM'000	RM'000
At fair value:		
Malaysian Government Securities and other Government guaranteed assets	4,935	-
Debt securities		
- Unquoted in Malaysia	138,034	101,229
- Unquoted outside Malaysia	2,995	17,813
Equity securities		
- Quoted in Malaysia	541,367	447,314
- Quoted outside Malaysia	67,127	51,559
Unit trusts		
- Quoted in Malaysia	14,015	17,507
- Quoted outside Malaysia	3,567	11,619
- Unquoted in Malaysia	66,191	26,968
Structured investments		
- Unquoted in Malaysia	2,865	2,920
Fixed and call deposits		
- Licensed financial institutions	92,081	49,780
	<u>933,177</u>	<u>726,709</u>

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NOTES TO THE FINANCIAL STATEMENTS**6 . FINANCIAL ASSETS (CONT'D)****(d) Loans and receivables**

	2014	2013
	RM'000	RM'000
At cost:		
Fixed and call deposits		
- Licensed financial institutions	55,969	578,153
Policy loans	31,649	30,731
Premium loans	623,309	639,077
	<u>710,927</u>	<u>1,247,961</u>
	<u><u>710,927</u></u>	<u><u>1,247,961</u></u>
At fair value:		
Fixed and call deposits		
- Licensed financial institutions	55,969	578,153
Policy loans	31,649	30,731
Premium loans	623,309	639,077
	<u>710,927</u>	<u>1,247,961</u>
	<u><u>710,927</u></u>	<u><u>1,247,961</u></u>

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NOTES TO THE FINANCIAL STATEMENTS**6 . FINANCIAL ASSETS (CONT'D)****(e) Carrying value of financial instruments**

	HTM	AFS	FVTPL	LAR	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 June 2012	422,389	5,046,319	539,814	823,677	6,832,199
Purchases	-	2,448,380	314,063	-	2,762,443
Maturities	(20,000)	(615,497)	(20,262)	-	(655,759)
Disposals	-	(1,005,156)	(157,410)	-	(1,162,566)
Fair value gains transferred to income statement	-	(83,731)	-	-	(83,731)
Fair value gains recorded in income statement	-	-	50,635	-	50,635
Fair value gains recorded in other comprehensive income	-	186,117	-	-	186,117
Movement in impairment allowance (Note 22)	-	(11,613)	-	-	(11,613)
Movement in LAR	-	-	-	418,945	418,945
Accretion of discount, net of amortisation of premium (Note 18)	(182)	(2,039)	-	-	(2,221)
Movement in accrued interest	(460)	(3,726)	(131)	5,339	1,022
Currency translation differences	-	(23,697)	-	-	(23,697)
At 30 June 2013	<u>401,747</u>	<u>5,935,357</u>	<u>726,709</u>	<u>1,247,961</u>	<u>8,311,774</u>

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NOTES TO THE FINANCIAL STATEMENTS**6 . FINANCIAL ASSETS (CONT'D)****(e) Carrying value of financial instruments (cont'd)**

	HTM RM'000	AFS RM'000	FVTPL RM'000	LAR RM'000	Total RM'000
At 1 July 2013	401,747	5,935,357	726,709	1,247,961	8,311,774
Purchases	200,000	3,031,267	470,601	-	3,701,868
Maturities	-	(197,225)	(9,084)	-	(206,309)
Disposals	(25,033)	(1,463,313)	(286,533)	-	(1,774,879)
Fair value gains transferred to income statement	-	(90,978)	-	-	(90,978)
Fair value gains recorded in income statement	-	-	31,533	-	31,533
Fair value gains recorded in other comprehensive income	-	87,588	-	-	87,588
Movement in impairment allowance (Note 22)	-	(3,700)	-	-	(3,700)
Movement in LAR	-	-	-	(530,051)	(530,051)
Accretion of discount, net of amortisation of premium (Note 18)	(110)	(2,579)	-	-	(2,689)
Movement in accrued interest	(453)	12,768	(49)	(6,983)	5,283
Currency translation differences	-	5,086	-	-	5,086
At 30 June 2014	<u>576,151</u>	<u>7,314,271</u>	<u>933,177</u>	<u>710,927</u>	<u>9,534,526</u>

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NOTES TO THE FINANCIAL STATEMENTS**7 . DERIVATIVE FINANCIAL INSTRUMENTS**

	2014	2013
	RM'000	RM'000
Derivative assets:		
- Forward foreign contracts - fair value hedge	1,212	554
	<u>1,212</u>	<u>554</u>
Derivative liabilities:		
- Forward foreign contracts - fair value hedge	5,242	15,160
	<u>5,242</u>	<u>15,160</u>

The notional principal amount of the outstanding forward foreign exchange contracts at 30 June 2014 was RM493.7 million (2013: RM461.0 million).

All derivative assets are maturing within 12 months.

	2014	2013
	RM'000	RM'000
Derivative liabilities maturing within 12 months	330	15,160
Derivative liabilities maturing after 12 months	4,912	-
	<u>5,242</u>	<u>15,160</u>

8 . INSURANCE RECEIVABLES

	2014	2013
	RM'000	RM'000
Due premium including agents/brokers and reinsurers balances	112,194	91,176
Allowance for impairment	(796)	(796)
	<u>111,398</u>	<u>90,380</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

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NOTES TO THE FINANCIAL STATEMENTS**8 . INSURANCE RECEIVABLES (CONT'D)**

	2014	2013
	RM'000	RM'000
Gross amounts of recognised financial assets	208,476	139,379
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	<u>(96,282)</u>	<u>(48,203)</u>
	112,194	91,176
Allowance for impairment	<u>(796)</u>	<u>(796)</u>
Net amounts of financial assets presented in the statement of financial position	<u><u>111,398</u></u>	<u><u>90,380</u></u>

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 30 June 2014 (2013: Nil).

9 . OTHER RECEIVABLES

	2014	2013
	RM'000	RM'000
Investment income receivables	3,699	3,479
Amount due from fund managers	12,674	16,467
Investment debtors	18,773	6,480
Other receivables	<u>7,538</u>	<u>6,923</u>
Total other receivables	<u><u>42,684</u></u>	<u><u>33,349</u></u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

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NOTES TO THE FINANCIAL STATEMENTS**10 . NON-CURRENT ASSETS HELD-FOR-SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE NON-CURRENT ASSETS HELD-FOR-SALE**

	2014	2013
	RM'000	RM'000
Fair value		
At 1 July	60	55
Fair value gains recorded in income statement	-	5
At 30 June	<u>60</u>	<u>60</u>

Assets held-for-sale relate to an apartment for which Board approval was obtained in the financial year 2007 and the Company has entered into sale and purchase agreement to sell the said property. It is now in the midst of transferring ownership.

Non-recurring fair value measurements

The property, which fair value is under Level 2 of the fair value hierarchy, is based on buying price offered by buyer.

11 . SHARE CAPITAL

	2014		2013	
	No of		No of	
	shares	RM'000	shares	RM'000
	'000		'000	
Ordinary shares of RM1.00 each				
Authorised:				
At 1 July/30 June	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid up:				
At 1 July/30 June	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

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NOTES TO THE FINANCIAL STATEMENTS

12 . RESERVES

Under the single-tier tax system which comes 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 shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 ("Section 108 balance") and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Sections 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

As the Section 108 tax credit has expired on 31 December 2013, the Company will distribute single-tier dividends to its shareholders out of its distributable retained earnings if dividends were paid.

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

Pursuant to the Financial Services Act, 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend with effect from the financial year beginning 1 July 2013.

Fair value reserves relates to the fair value changes of the AFS financial assets of the Company.

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NOTES TO THE FINANCIAL STATEMENTS**13 . INSURANCE CONTRACT LIABILITIES**

The analysis of life insurance contract liabilities and the movements are as follows:

	Gross		Re-insurance		Net	
	As at 2014 RM'000	As at 2013 RM'000	As at 2014 RM'000	As at 2013 RM'000	As at 2014 RM'000	As at 2013 RM'000
Provision for outstanding claims	87,320	80,649	(27,097)	(38,534)	60,223	42,115
Actuarial liabilities	6,658,583	5,750,520	(10,249)	(12,012)	6,648,334	5,738,508
Unallocated surplus	368,938	314,976	-	-	368,938	314,976
Fair value adjustment on AFS financial assets	213,690	214,417	-	-	213,690	214,417
Net asset value attributable to unitholders (Note 34)	1,032,243	829,463	-	-	1,032,243	829,463
Life insurance contract liabilities	8,360,774	7,190,025	(37,346)	(50,546)	8,323,428	7,139,479

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NOTES TO THE FINANCIAL STATEMENTS**13 . INSURANCE CONTRACT LIABILITIES (CONT'D)**

	Gross			Reinsurance			Net
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	RM'000
At 1 July 2012	4,758,336	1,330,783	6,089,119	(5,618)	(22,400)	(28,018)	6,061,101
Projected change for inforce policies at 30 June 2012	513,582	(44,979)	468,603	-	1,054	1,054	469,657
Experience variance	145,414	(553)	144,861	-	228	228	145,089
New business	184,853	38,352	223,205	-	(1,385)	(1,385)	221,820
Discount rate change	(1,763)	(1,616)	(3,379)	-	67	67	(3,312)
Adjustment due to changes in assumptions:							
Mortality and morbidity	886	1,127	2,013	-	(438)	(438)	1,575
Lapse rate	(1,905)	(7)	(1,912)	-	(73)	(73)	(1,985)
Policy expenses and inflation	(61,620)	7,621	(53,999)	-	-	-	(53,999)
Other assumptions	6,864	-	6,864	-	-	-	6,864
Other changes	(677)	3,045	2,368	-	18	18	2,386
Change in provision for outstanding claims	(7,431)	(2,517)	(9,948)	(6,286)	(15,713)	(21,999)	(31,947)
Change in net asset value attributable to unitholders	-	172,198	172,198	-	-	-	172,198
Change in fair value of AFS financial assets	59,123	-	59,123	-	-	-	59,123
Change in unallocated surplus	90,909	-	90,909	-	-	-	90,909
At 30 June 2013	5,686,571	1,503,454	7,190,025	(11,904)	(38,642)	(50,546)	7,139,479

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NOTES TO THE FINANCIAL STATEMENTS**13 . INSURANCE CONTRACT LIABILITIES (CONT'D)**

	Gross			Reinsurance			Net
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	RM'000
At 1 July 2013	5,686,571	1,503,454	7,190,025	(11,904)	(38,642)	(50,546)	7,139,479
Projected change for inforce policies at 30 June 2013	669,740	13,316	683,056	-	1,252	1,252	684,308
Experience variance	186,996	(11,160)	175,836	-	670	670	176,506
New business	102,567	41,857	144,424	-	(1,495)	(1,495)	142,929
Discount rate change	(24,732)	(62,959)	(87,691)	-	145	145	(87,546)
Adjustment due to changes in assumptions:							
Mortality and morbidity	(4,106)	(2,299)	(6,405)	-	2,911	2,911	(3,494)
Lapse rate	(8,815)	35,597	26,782	-	(846)	(846)	25,936
Policy expenses and inflation	(21,587)	7,378	(14,209)	-	(355)	(355)	(14,564)
Other assumptions	-	(44)	(44)	-	-	-	(44)
Other changes	(165)	(13,521)	(13,686)	-	(519)	(519)	(14,205)
Change in provision for outstanding claims	(6,017)	12,688	6,671	5,569	5,868	11,437	18,108
Change in net asset value attributable to unitholders	-	202,780	202,780	-	-	-	202,780
Change in fair value of AFS financial assets	(727)	-	(727)	-	-	-	(727)
Change in unallocated surplus	53,962	-	53,962	-	-	-	53,962
At 30 June 2014	6,633,687	1,727,087	8,360,774	(6,335)	(31,011)	(37,346)	8,323,428

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NOTES TO THE FINANCIAL STATEMENTS**14 . DEFERRED TAX**

	2014	2013
	RM'000	RM'000
At 1 July	(147,483)	(128,025)
Recognised in:		
Income statement (Note 24)	(34,120)	(5,584)
Other comprehensive income	524	(13,874)
At 30 June	<u>(181,079)</u>	<u>(147,483)</u>
Current	(360)	784
Non-current	<u>(180,719)</u>	<u>(148,267)</u>
	<u>(181,079)</u>	<u>(147,483)</u>

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 the deferred taxes relate to the same tax authority.

	2014	2013
	RM'000	RM'000
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	(181,392)	(149,368)
Deferred tax assets	313	1,885
	<u>(181,079)</u>	<u>(147,483)</u>

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NOTES TO THE FINANCIAL STATEMENTS**14 . DEFERRED TAX (CONT'D)**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities

	Unallocated surplus RM'000	Investment properties RM'000	Financial assets RM'000	Total RM'000
At 1 July 2012	(89,438)	(3,585)	(35,047)	(128,070)
Recognised in:				
Income statement	(5,132)	-	(2,292)	(7,424)
Other comprehensive income	-	-	(13,874)	(13,874)
At 30 June 2013	<u>(94,570)</u>	<u>(3,585)</u>	<u>(51,213)</u>	<u>(149,368)</u>
At 1 July 2013	(94,570)	(3,585)	(51,213)	(149,368)
Recognised in:				
Income statement	(28,587)	(806)	(3,155)	(32,548)
Other comprehensive income	-	-	524	524
At 30 June 2014	<u>(123,157)</u>	<u>(4,391)</u>	<u>(53,844)</u>	<u>(181,392)</u>

Deferred tax assets

		Financial assets RM'000	Total RM'000
At 1 July 2012		45	45
Recognised in:			
Income statement		1,840	1,840
At 30 June 2013		<u>1,885</u>	<u>1,885</u>
At 1 July 2013		1,885	1,885
Recognised in:			
Income statement		(1,572)	(1,572)
At 30 June 2014		<u>313</u>	<u>313</u>

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NOTES TO THE FINANCIAL STATEMENTS**15 . INSURANCE PAYABLES**

	2014	2013
	RM'000	RM'000
Amount due to reinsurers and cedants	23,908	37,867
Amount due to agents	21,534	21,499
Amount due to insured	1,227,870	958,120
	<u>1,273,312</u>	<u>1,017,486</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

	2014	2013
	RM'000	RM'000
Gross amounts of recognised financial liabilities	1,369,594	1,065,689
Less: Gross amounts of recognised financial assets set off in the statement of financial position	<u>(96,282)</u>	<u>(48,203)</u>
Net amounts of financial liabilities presented in the statement of financial position	<u>1,273,312</u>	<u>1,017,486</u>

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 30 June 2014 (2013: Nil).

16 . OTHER PAYABLES

	2014	2013
	RM'000	RM'000
Accruals	138,502	116,801
Investment creditors	4,014	15,482
Rental deposits	6,352	6,839
Other payables	9,053	7,460
	<u>157,921</u>	<u>146,582</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

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NOTES TO THE FINANCIAL STATEMENTS**17 . SUBORDINATED NOTES**

	2014	2013
	RM'000	RM'000
RM500 million subordinated notes, at par	500,000	500,000
Add: interest payable	8,815	8,815
Less: unamortised incidental costs	(1,974)	(2,050)
	<u>506,841</u>	<u>506,765</u>
Payable within 12 months	8,815	8,815
Payable after 12 months	498,026	497,950
	<u>506,841</u>	<u>506,765</u>

The Subordinated Notes Programme ("Sub-Notes") was issued in financial year ended 30 June 2013 for a nominal value of RM500 million for a period of 12 years on a 12 non-callable 7 basis with a coupon rate of 4.5% per annum.

The Sub-Notes are classified as tier 2 capital under Risk-Based Capital Framework for Insurers.

The fair value of the Sub-Notes at 30 June 2014 amounted to RM482,304,686 (2013 : RM486,524,000). The fair value is estimated based on discounted cash flow model using a current yield curve appropriate for the remaining term to maturity.

18 . INVESTMENT INCOME

	2014	2013
	RM'000	RM'000
Interest income		
AFS financial assets	228,469	201,623
FVTPL financial assets	6,197	9,733
HTM financial assets	25,603	21,424
Fixed and call deposit	55,130	37,068
Policy loans and premium loans	31,158	30,890
Gross dividends		
AFS financial assets	69,233	59,127
FVTPL financial assets	21,851	16,399
Rental of properties	17,421	17,688
Accretion of discount, net of amortisation of premium		
AFS financial assets (Note 6(e))	(2,579)	(2,039)
HTM financial assets (Note 6(e))	(110)	(182)
	<u>452,373</u>	<u>391,731</u>

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NOTES TO THE FINANCIAL STATEMENTS**19 . REALISED GAINS AND LOSSES**

	2014	2013
	RM'000	RM'000
Property, plant and equipment		
Realised gains	-	157
Derivatives		
Realised (losses)/gains	(11,062)	40,837
Foreign exchange		
Realised gains	879	8,243
HTM financial assets		
Realised gains:		
Debt securities		
- in Malaysia	1,373	-
AFS financial assets		
Realised gains:		
Equity securities		
- quoted in Malaysia	54,578	51,762
- quoted outside Malaysia	24,198	25,019
Unit trusts		
- quoted in Malaysia	3,631	2,513
- quoted outside Malaysia	132	65
- unquoted in Malaysia	47	6
Debt securities		
- in Malaysia	10,578	5,811
- outside Malaysia	475	4,146
Negotiable instrument of deposit		
- in Malaysia	28	-
Realised losses:		
Equity securities		
- quoted in Malaysia	(956)	(2,452)
- quoted outside Malaysia	(1,152)	(1,463)
Unit trusts		
- quoted in Malaysia	(8)	(1)
- unquoted in Malaysia	(6)	(4)
Debt securities		
- in Malaysia	(533)	(95)
- outside Malaysia	(34)	(1,576)
	<u>90,978</u>	<u>83,731</u>

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NOTES TO THE FINANCIAL STATEMENTS**19 . REALISED GAINS AND LOSSES (CONT'D)**

	2014	2013
	RM'000	RM'000
FVTPL financial assets		
Realised gains:		
Equity securities		
- quoted in Malaysia	28,247	20,117
- quoted outside Malaysia	2,368	3,451
Unit trusts		
- quoted in Malaysia	67	117
- quoted outside Malaysia	266	-
- unquoted in Malaysia	435	61
Debt securities		
- in Malaysia	1,002	131
- outside Malaysia	2,006	1,291
Negotiable instrument of deposit		
- in Malaysia	186	8
Realised losses:		
Equity securities		
- quoted outside Malaysia	(1,725)	(2,567)
- unquoted in Malaysia	(8)	-
Unit trusts		
- quoted in Malaysia	(253)	-
- unquoted in Malaysia	(929)	(2)
Debt securities		
- in Malaysia	(170)	(119)
- outside Malaysia	(20)	(452)
Negotiable instrument of deposit		
- in Malaysia	(117)	(107)
	<u>31,355</u>	<u>21,929</u>
Net realised gains	<u>113,523</u>	<u>154,897</u>

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NOTES TO THE FINANCIAL STATEMENTS**20 . FAIR VALUE GAINS AND LOSSES**

	2014	2013
	RM'000	RM'000
Fair value gains/(losses):		
Asset held-for-sale (Note 10)	-	5
Investment properties	10,080	-
Derivatives	10,578	(12,223)
FVTPL financial assets (Note 6(e))	31,533	50,635
	<u>52,191</u>	<u>38,417</u>

21 . FEES AND COMMISSION INCOME

	2014	2013
	RM'000	RM'000
Policyholder administration and investment management service	2,024	512
Reinsurance commission income	4,164	4,237
Surrender charges and other contract fees	1	1
	<u>6,189</u>	<u>4,750</u>

22 . OTHER OPERATING INCOME/(EXPENSES)-NET

	2014	2013
	RM'000	RM'000
Impairment on AFS financial assets (Note 6(e))	(3,700)	(11,613)
Unrealised foreign exchange gains/(losses)	4,740	(27,203)
Other operating income	-	965
Other operating expenses	(910)	-
Other income/(expenses)	<u>130</u>	<u>(37,851)</u>

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NOTES TO THE FINANCIAL STATEMENTS**23 . MANAGEMENT EXPENSES**

	2014	2013
	RM'000	RM'000
Employee benefits expense (Note 23(a))	59,891	52,103
Directors' fees (Note 23(b))	405	405
Auditors' remuneration :		
Audit related services	389	360
Non-audit related services	205	65
Depreciation of property, plant and equipment	5,002	5,266
Amortisation of intangible assets	1,582	1,414
Property, plant and equipment written off	21	-
Rental of offices	1,543	1,929
Entertainment and travelling	1,722	1,615
EDP expenses	7,123	7,049
Other expenses	42,849	42,610
	<u>120,732</u>	<u>112,816</u>

(a) Employee benefits expense

	2014	2013
	RM'000	RM'000
Wages, salaries and bonuses	50,480	42,596
Defined contribution retirement plan	7,707	7,024
Other employee benefits	1,704	2,483
	<u>59,891</u>	<u>52,103</u>

(b) Directors' remuneration

The details of remuneration receivable by Directors during the financial year are as follows:

	2014	2013
	RM'000	RM'000
Executive:		
-Wages, salaries and bonuses	2,821	2,791
-Defined contribution retirement plan	451	447
-Other employee benefits	24	34
	<u>3,296</u>	<u>3,272</u>
Non-executive:		
Fees	405	405
	<u>3,701</u>	<u>3,677</u>
Represented by:		
Directors' fees	405	405
Amount included in employee benefits expense	<u>3,296</u>	<u>3,272</u>

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NOTES TO THE FINANCIAL STATEMENTS**23 . MANAGEMENT EXPENSES (CONT'D)****(b) Directors' remuneration (cont'd)**

The remuneration, including benefits-in-kind, attributable to the Company's Chief Executive Officer, during the financial year amounted to RM3,328,726 (2013: RM3,300,000).

The number of Directors whose total remuneration received from the Company during the year that fall within the following bands is analysed below:

	Numbers of Directors	
	2014	2013
Executive directors		
RM3,000,001 - RM3,500,000	1	1
Non-executive directors		
Below RM50,000	4	4
RM50,001 - RM100,000	1	1
RM100,001 - RM150,000	3	3

24 . TAXATION

	Attributable to participating fund and unitholders RM'000	Attributable to shareholders' fund RM'000	Total RM'000
2014			
Current income tax:			
Current financial year	29,130	28,235	57,365
(Over)/under provision in prior years	(6,727)	416	(6,311)
	22,403	28,651	51,054
Deferred tax:			
Origination and reversal of temporary differences (Note 14)	4,947	29,173	34,120
	27,350	57,824	85,174
2013			
Current income tax:			
Current financial year	29,954	23,925	53,879
Over provision in prior years	(3,373)	(749)	(4,122)
	26,581	23,176	49,757
Deferred tax:			
Origination and reversal of temporary differences (Note 14)	1,483	4,101	5,584
	28,064	27,277	55,341

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NOTES TO THE FINANCIAL STATEMENTS

24 . TAXATION (CONT'D)

The income tax for the Shareholders' fund is calculated based on the tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year. The income tax for the life fund is calculated based on the tax rate of 8% (2012: 8%) of the assessable investment income net of allowable deductions for the financial year. The taxes of the respective funds are disclosed in Note 34 to the financial statements.

In 2008, the Ministry of Finance has gazetted an order on the allowance of income tax set-off/credit for the tax charged on the surplus transferred from the Life fund to the Shareholders' fund with effect from year of assessment 2008 under Section 110B of the Income Tax Act, 1967.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2014	2013
	RM'000	RM'000
Profit before taxation attributable to shareholders	<u>277,489</u>	<u>131,763</u>
Taxation at Malaysian statutory tax rate of 25%	69,372	32,941
Tax effects in respect of:		
Income not subject to tax	(13,205)	(8,043)
Expenses not deductible for tax purpose	6,522	8,338
S110B tax relief	(5,281)	(5,210)
Under/(over) provision in prior years	416	(749)
Tax expense attributable to participating fund and unitholders	<u>27,350</u>	<u>28,064</u>
Tax expense for the financial year	<u><u>85,174</u></u>	<u><u>55,341</u></u>

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NOTES TO THE FINANCIAL STATEMENTS**25 . DIVIDENDS**

	2014	2013
	RM'000	RM'000
Dividend in respect of the financial year:		
- Gross interim dividend of 40 sen per share, less income tax at 25% (2013: 36 sen per share)	60,000	54,000
- Special dividend of 17.5 sen per share, less income tax at 25% (2013: Nil)	26,250	-
	<u>86,250</u>	<u>54,000</u>

The Directors do not recommend any final dividend for the financial year ended 30 June 2014.

26 . EARNINGS PER SHARE

The basic earnings per share are calculated based on the profit for the financial year after taxation as stated below divided by the weighted average number of 200,000,000 (2013: 200,000,000) ordinary shares in issue during the financial year.

	2014	2013
	RM'000	RM'000
Net profit for the financial year	<u>219,665</u>	<u>104,486</u>

27 . CAPITAL COMMITMENTS

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

	2014	2013
	RM'000	RM'000
Authorised and contracted for:		
Property and equipment	1,175	1,999
Intangible assets	298	1,503
	<u>1,473</u>	<u>3,502</u>

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NOTES TO THE FINANCIAL STATEMENTS

28 . RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

<u>Related Parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
HLCM Capital Sdn Bhd, Hong Leong Share Registration Services Sdn Bhd, HL Management Co Sdn Bhd and Guoline Capital Assets Limited ("HLCM Capital Group")	Subsidiary companies of ultimate holding company
Malaysian Pacific Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("MPI Group")	Subsidiaries and associated 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
Hong Leong Industries Berhad and its subsidiaries and associated companies as disclosed in its financial statements ("HLI Group")	Subsidiaries and associated companies of ultimate holding company
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	Penultimate holding company
Subsidiaries and associated companies of HLFG as disclosed in its financial statements ("HLFG Group")	Subsidiaries and associated companies of penultimate holding company

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NOTES TO THE FINANCIAL STATEMENTS**28 . RELATED PARTY DISCLOSURES (CONT'D)****(a) Related parties and relationships (cont'd)**

The related parties of, and their relationships with the Company are as follows: (cont'd)

<u>Related Parties</u>	<u>Relationship</u>
HLA Holdings Sdn Bhd	Immediate holding company
Subsidiaries companies of HLAH as disclosed in its financial statements ("HLAH Group")	Subsidiary companies of holding company
MSIG Insurance (Malaysia) Bhd	Associated company of holding company

(b) Related party transactions and balances

In additional to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year:

	Ultimate holding company RM'000	Penultimate holding company RM'000	Other related parties * RM'000
2014			
Assets			
Receivables	-	33	1,493
Short term placements and fixed deposits	-	-	31
Cash and cash equivalents	-	-	645,213
	<u>-</u>	<u>33</u>	<u>646,737</u>
Liabilities			
Payables	<u>8</u>	<u>209</u>	<u>5,864</u>
2013			
Assets			
Receivables	-	39	5,267
Short term placements and fixed deposits	-	-	30
Cash and cash equivalents	-	-	413,450
	<u>-</u>	<u>39</u>	<u>418,747</u>
Liabilities			
Payables	<u>2</u>	<u>209</u>	<u>6,193</u>

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NOTES TO THE FINANCIAL STATEMENTS**28 . RELATED PARTY DISCLOSURES (CONT'D)****(b) Related party transactions and balances (cont'd)**

	Ultimate holding company RM'000	Penultimate holding company RM'000	Other related parties * RM'000
2014			
Income			
Gross premium received/receivable	249	63	3,089
Rental income	1,415	834	18,998
Interest income	-	2,676	48,288
	<u>1,664</u>	<u>3,573</u>	<u>70,375</u>
Expenditure			
Commission paid/payable	-	-	(7,434)
Management and professional fee paid/payable	(480)	(1,843)	(1,838)
Authorised depository fee	-	-	(72)
Brokerage fee	-	-	(889)
Credit card merchant fees	-	-	(14,875)
Security guard services	-	-	(1,039)
Service support fees	-	-	(4,459)
Logo fees	-	-	(11)
	<u>(480)</u>	<u>(1,843)</u>	<u>(30,617)</u>

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NOTES TO THE FINANCIAL STATEMENTS**28 . RELATED PARTY DISCLOSURES (CONT'D)****(b) Related party transactions and balances (cont'd)**

	Ultimate holding company RM'000	Penultimate holding company RM'000	Other related parties * RM'000
2013			
Income			
Gross premium received/receivable	207	48	8,442
Management and professional fee income	-	-	672
Rental income	1,303	827	20,217
Interest income	-	2,693	44,825
	<u>1,510</u>	<u>3,568</u>	<u>74,156</u>
Expenditure			
Commission paid/payable	-	-	(8,562)
Management and professional fee paid/payable	(480)	(1,689)	(3,683)
Authorised depository fee	-	-	(67)
Brokerage fee	-	-	(842)
Credit card merchant fees	-	-	(13,012)
Rental and deposit paid	-	-	(736)
Service support fees	-	-	(4,437)
Logo fees	-	-	(9)
	<u>(480)</u>	<u>(1,689)</u>	<u>(31,348)</u>

*The significant related party transactions and balances with the immediate holding company are reported under other related parties.

The above transactions are transacted in the normal course of business of the Company based on agreed terms and conditions.

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NOTES TO THE FINANCIAL STATEMENTS**28 . RELATED PARTY DISCLOSURES (CONT'D)****(c) Compensation of key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of 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 of Directors and other members of key management during the financial year was as follows:

	2014	2013
	RM'000	RM'000
Wages, salaries and bonuses	8,856	8,103
Defined contribution retirement plan	1,393	1,276
Other employee benefits	703	554
Directors' fees	405	405
	<u>11,357</u>	<u>10,338</u>
Included in the total key management personnel are:		
Directors' remuneration (Note 23(b))	<u>3,701</u>	<u>3,677</u>

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29 . RISK MANAGEMENT FRAMEWORK

The Company integrates the RBC Framework as the platform of Enterprise Risk Management ("ERM") Framework which provide systematic approach to identifying, evaluating, monitoring and reporting of critical risks. The scope of risks covering (i) capital adequacy and structure; (ii) market risk; (iii) credit risk; (iv) insurance risk; and (iv) operational risk.

The RBC Framework allows the Company to perform benchmarking and objectively quantifying the Capital Adequacy Ratio ("CAR") position with its industrial peers. The Risk Management and Compliance keeps the Senior Management and Board of Audit and Risk Management Committee ("BARMC") abreast of the developments on capital and risk profiles, Ringgit market movement, and material risks that require attention and action plans, if any.

Hence, the integrated RBC-ERM Framework fosters an operating environment:

- (i) to manage the Company's risk exposure to potential earnings and capital volatility;
- (ii) to optimise the values to the Company's various stakeholders (i.e. policyholders, shareholders, regulators, etc.).

The Company is measuring and managing the portfolio of risks in a harmonised and consistent manner, with a better understanding between returns, risk and performance measures. Risk-based performance management helps the Company in measuring, targeting and managing the portfolio of businesses, products, assets and liabilities consistently, and ensures risks are adequately taken into account.

Capital Management

The Company recognised the importance of effective capital management. The Capital Management Plan is embedded into the RBC-ERM Framework and assumes a critical role in steering the Company and stakeholder value. Having established the Internal CAR requirement, the Company will evaluate the allocation of capital to businesses, products and risks where the Company has optimum opportunity to add value.

The Capital Management Plan, which is approved by the Board of Directors, outlines the risk policies and strategies for the senior management to take proactive steps to conserve or consolidate the capital position.

On a half-yearly basis, the Company performs stress testing based on several adverse scenarios and stress levels as part of the proactive measures in monitoring and managing the capital position. The report will be presented to the BARMC and Board of Directors will be updated on the stress test results.

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NOTES TO THE FINANCIAL STATEMENTS

29 . RISK MANAGEMENT FRAMEWORK (CONT'D)

Risk Governance Structure

The Company emphasises good and effective governance structure with three lines of defense and a healthy risk culture to provide reasonable assurance to the BARMC and Board of Directors:

- (a) First line of defense: Under the leadership of the Chief Executive Officer, all operating and business units are responsible and accountable for the effective and timely implementation of action plans. The monthly Executive Committee ("EXCO") meetings build an appropriate risk culture to encourage constant communication.
- (b) Second line of defense: Risk Management and Compliance, a risk oversight department, is tasked to formulate and continuously improve the Risk Management Framework and to promote risk awareness culture with regular meetings with the senior management and/or line managers in the light of risk analyses and risk action plan; and
- (c) Third line of defense: Internal Auditors perform a "check and balance" role by conducting independent and regular reviews on the Company's internal control systems and Risk Management Framework.

30 . REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at the date of the statement of financial position, consisting of all funds as prescribed under the RBC Framework is provided below:

	2014	2013
	RM'000	RM'000
Eligible Tier 1 capital		
- Share capital (paid up) (Note 11)	200,000	200,000
- Reserves	3,103,001	2,594,972
Eligible Tier 2 capital		
- Eligible reserves	820,009	826,728
	<u>4,123,010</u>	<u>3,621,700</u>

The Company has met the minimum capital requirements specified in the RBC Framework for the financial year ended 2014 and 2013.

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NOTES TO THE FINANCIAL STATEMENTS

31 . INSURANCE RISK

Insurance risk refers to the fluctuations in the timing, frequency and severity of the insured event, relative to the expectations of the Company at the time of underwriting.

The principal risk that the Company is facing is the uncertainty over the benefit payments which may cause the valuation of the life insurance liabilities to be insufficient.

The Company has in place policies in managing insurance risk. These include monitoring of actual experience and using reinsurance to limit net losses potential.

The concentration of life insurance liabilities by types of contracts is as follows:

	Net of reinsurance		
	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000
2014			
Whole Life	1,466,401	87,737	1,554,138
Endowment	1,793,750	130,975	1,924,725
Term	1,267,717	388,700	1,656,417
Accident and health	6,245	19,651	25,896
Annuity	361,115	-	361,115
Others	1,104,170	21,873	1,126,043
	<u>5,999,398</u>	<u>648,936</u>	<u>6,648,334</u>
2013			
Whole Life	1,218,643	83,967	1,302,610
Endowment	1,437,341	152,799	1,590,140
Term	1,249,375	364,738	1,614,113
Accident and health	10,804	25,878	36,682
Annuity	385,645	-	385,645
Others	797,692	11,626	809,318
	<u>5,099,500</u>	<u>639,008</u>	<u>5,738,508</u>

As all of the business is derived from Malaysia, the entire insurance liabilities are in Malaysia.

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NOTES TO THE FINANCIAL STATEMENTS

31 . INSURANCE RISK (CONT'D)

Key assumptions

The valuation of life insurance liabilities is based on actuarial valuation method and assumptions pursuant to the requirements stated in document "Risk-Based Capital Framework for Insurers" issued by Bank Negara Malaysia in April 2007 and revised in June 2013.

The key assumptions to which the determination of liabilities is particularly sensitive are as follows:

- Mortality rates

Mortality refers to the rates at which death occurs. Typically, mortality assumptions are based on the Company's own experience as well as the industry experience for the past few years. Mortality rates could impact on the Company's financial condition if it turns out to be more adverse than assumed.

- Morbidity rates

Morbidity refers to incidence rate of sickness. Typically, morbidity assumptions are based on the reinsurer's rates, adjusted to reflect the Company's own experience. Morbidity rates could impact on the Company's financial condition if it turns out to be more adverse than assumed.

- Discount rates

Insurance liabilities are discounted using discount rates in accordance to the Risk-Based Capital Framework for Insurers in order to determine the value of liabilities as of today. The Risk-Based Capital Framework requires all insurers to use the Malaysian government securities yields as risk free rates. Discount rates could impact on the Company's financial condition if it turns out to be lower than assumed.

- Lapse rates

Lapse rates refer to the rate of termination and surrender of insurance contract. Typically, lapse rates are based on the Company's actual experience for the past few years. Lapse rates could impact on the Company's financial condition if it turns out to be more adverse than assumed.

- Expense assumption

Insurance liabilities provide for future expenses by setting expense assumption based on the Company's recent experience. Higher than assumed expenses could impact adversely on the Company's financial condition.

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NOTES TO THE FINANCIAL STATEMENTS**31 . INSURANCE RISK (CONT'D)****Sensitivities**

Sensitivity analysis provides an assessment of plausible adverse events that could impact on the financial condition of the Company. It enhances the understanding of the financial vulnerability towards insurance risk.

The analysis below is performed for reasonably possible movement in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to change in assumption, assumption was changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumption.

Sensitivity analysis produced is based on parameters set out as follows:

	Change in assumption	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
	%				
2014					
Mortality and morbidity	+ 10	60,605	50,338	(31,326)	(25,687)
Mortality and morbidity	- 10	(60,451)	(51,350)	32,355	26,531
Discount rate	- 0.5	403,752	403,552	(49,066)	(40,234)
Expenses	+ 10	49,691	49,691	(13,078)	(10,724)
Lapse and surrender	+ 10	(17,119)	(17,038)	(11,141)	(9,136)
Lapse and surrender	- 10	16,149	16,067	13,434	11,016
2013					
Mortality and morbidity	+ 10	63,372	52,762	(33,737)	(27,664)
Mortality and morbidity	- 10	(63,487)	(54,484)	35,235	28,893
Discount rate	- 0.5	428,792	428,180	(65,517)	(53,724)
Expenses	+ 10	52,185	52,188	(12,798)	(10,494)
Lapse and surrender	+ 10	(24,380)	(24,190)	(7,253)	(5,947)
Lapse and surrender	- 10	25,035	24,841	8,093	6,636

The method used and significant assumptions made for deriving sensitivity information did not change from previous period.

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NOTES TO THE FINANCIAL STATEMENTS

32 . FINANCIAL RISKS

The Board of Directors 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 of Directors 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 of Directors. The IC oversees the formulation of investment and risk strategy and asset allocation to determine the optimum risk and return profile.

Risk limits are in place at various levels and are monitored by a risk manager to ensure compliance with the 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 the Company's solvency.

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

(a) Credit risk

Credit risk is the risk of loss due to inability or unwillingness of a counterparty to service its debt obligations. The credit risk and investment activities are monitored regularly with respect to single customer limit, sectorial exposure, credit rating and residual maturity, in accordance with the investment guidelines and limits approved by the Board of Directors and the authorities.

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

There were no significant changes to the credit risk management of the Company.

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(a) Credit risk (cont'd)****Credit exposure by credit rating**

The below tabulation provides the breakdown of the Company's financial assets (excluding financial assets classified as non-current assets held-for-sale) in relation to credit risk exposure:

	Neither past-due nor impaired				Not subject to credit risk	Past-due but not impaired	Total
	Investment grade						
	AAA to AA	A	BBB to BB	Not rated			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014							
HTM financial assests	375,724	-	-	200,427	-	-	576,151
AFS financial assets	3,725,503	333,752	202,211	1,185,934	1,866,871	-	7,314,271
FVTPL financial assets	224,506	8,473	2,995	4,936	692,267	-	933,177
Loan and receivables	40,383	-	-	670,544	-	-	710,927
Derivatives	1,212	-	-	-	-	-	1,212
Reinsurance assets	-	2,533	-	34,813	-	-	37,346
Insurance receivables	-	3,126	-	102,642	-	5,630	111,398
Other receivables	-	-	-	42,684	-	-	42,684
Cash and cash equivalents	1,652,054	-	-	24,007	-	-	1,676,061
	6,019,382	347,884	205,206	2,265,987	2,559,138	5,630	11,403,227

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(a) Credit risk (cont'd)****Credit exposure by credit rating (cont'd)**

The below tabulation provides the breakdown of the Company's financial assets (excluding financial assets classified as non-current assets held-for-sale) in relation to credit risk exposure: (cont'd)

	Neither past-due nor impaired				Not subject to credit risk	Past-due but not impaired	Total
	Investment grade						
	AAA to AA	A	BBB	Not rated			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013							
HTM financial assests	401,747	-	-	-	-	-	401,747
AFS financial assets	3,236,730	506,784	120,714	384,405	1,686,724	-	5,935,357
FVTPL financial assets	138,006	26,538	7,198	-	554,967	-	726,709
Loan and receivables	563,040	-	-	684,921	-	-	1,247,961
Derivatives	554	-	-	-	-	-	554
Reinsurance assets	813	18,094	-	31,639	-	-	50,546
Insurance receivables	314	1,525	-	85,170	-	3,371	90,380
Other receivables	-	-	-	33,349	-	-	33,349
Cash and cash equivalents	1,302,084	-	-	28,661	-	-	1,330,745
	5,643,288	552,941	127,912	1,248,145	2,241,691	3,371	9,817,348

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(a) Credit risk (cont'd)**

Aging analysis of financial assets past-due but not impaired:

	2014	2013
	RM'000	RM'000
Insurance receivables		
31 to 60 days	2,058	764
61 to 90 days	666	338
91 to 180 days	2,906	2,269
	<u>5,630</u>	<u>3,371</u>

Impaired financial assets

At 30 June 2014, there are impaired insurance receivables of RM796,000 (2013: RM796,000) and impaired AFS financial assets of RM45,836,880 (2013: RM53,785,000). Impairment of insurance receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets. The AFS financial assets that are subject to impairment are rigorously assessed as explained under Note 2(h)(i) to the financial statements. The Company records impairment allowance for insurance receivables and AFS financial assets in separate allowance accounts.

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(a) Credit risk (cont'd)****Impaired financial assets (cont'd)**

A reconciliation of the allowance for impairment losses for insurance receivables and AFS financial assets is as follows:

	Insurance receivables		AFS financial assets		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July	796	796	53,785	49,278	54,581	50,074
Charge for the financial year	-	-	3,700	11,613	3,700	11,613
Realised for the financial year	-	-	(11,648)	(7,106)	(11,648)	(7,106)
At 30 June	796	796	45,837	53,785	46,633	54,581

(b) Liquidity risk

Liquidity risk arises due to inability of the Company to meet its financial obligations as and when they fall due. The Company manages liquidity risk via short term cash flow projection to determine net cash flow required. In addition, the Company's investible funds are substantially placed in fixed and call deposits and other money market instruments. Should there be any abnormal and unexpected cash outflow required, the Company still able to meet its obligation in short period via the liquidation of bond holdings.

The Company endeavors to manage the maturity profiles of these financial instruments to meet financial obligations and working capital requirements.

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(b) Liquidity risk (cont'd)****Maturity profile of financial assets**

The table below analyses the carrying amount of financial assets (excluding financial assets classified as non-current assets held-for-sale) based on the remaining contractual maturities:

	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2014						
HTM financial assests	576,151	-	200,427	375,724	-	576,151
AFS financial assets	7,314,271	235,208	2,980,301	2,231,891	1,866,871	7,314,271
FVTPL financial assets	933,177	26,420	89,684	124,806	692,267	933,177
Loan and receivables	710,927	710,927	-	-	-	710,927
Derivative assets	1,212	1,212	-	-	-	1,212
Reinsurance assets	37,346	37,346	-	-	-	37,346
Insurance receivables	111,398	111,398	-	-	-	111,398
Other receivables	42,684	42,684	-	-	-	42,684
Cash and cash equivalents	1,676,061	1,676,061	-	-	-	1,676,061
Total financial assets	11,403,227	2,841,256	3,270,412	2,732,421	2,559,138	11,403,227

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(b) Liquidity risk (cont'd)****Maturity profile of financial assets (cont'd)**

The table below analyses the carrying amount of financial assets (excluding financial assets classified as non-current assets held-for-sale) based on the remaining contractual maturities: (cont'd)

	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2013						
HTM financial assests	401,747	5,172	20,741	375,834	-	401,747
AFS financial assets	5,935,357	195,757	2,411,677	1,641,199	1,686,724	5,935,357
FVTPL financial assets	726,709	9,071	73,996	88,675	554,967	726,709
Loan and receivables	1,247,961	1,247,961	-	-	-	1,247,961
Derivative assets	554	554	-	-	-	554
Reinsurance assets	50,546	50,546	-	-	-	50,546
Insurance receivables	90,380	90,380	-	-	-	90,380
Other receivables	33,349	33,349	-	-	-	33,349
Cash and cash equivalents	1,330,745	1,330,745	-	-	-	1,330,745
Total financial assets	9,817,348	2,963,535	2,506,414	2,105,708	2,241,691	9,817,348

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(b) Liquidity risk (cont'd)****Maturity profile of financial liabilities**

The table below shows the contractual undiscounted cash flows payable for financial liabilities (excluding financial liabilities classified as liabilities directly associated with assets classified as held-for-sale) of the Company based on the remaining contractual maturities:

	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2014					
Insurance contract liabilities: *					
-With DPF	6,419,997	83,936	905,378	15,068,673	16,057,987
-Without DPF	1,727,087	1,146,944	70,110	1,392,927	2,609,981
Insurance payables	1,273,312	1,273,312	-	-	1,273,312
Other payables	157,921	157,921	-	-	157,921
Derivative liabilities	5,242	330	-	4,912	5,242
Subordinated notes	506,841	31,138	89,354	625,320	745,812
Total financial liabilities	<u>10,090,400</u>	<u>2,693,581</u>	<u>1,064,842</u>	<u>17,091,832</u>	<u>20,850,255</u>

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(b) Liquidity risk (cont'd)****Maturity profile of financial liabilities (cont'd)**

The table below shows the contractual undiscounted cash flows payable for financial liabilities (excluding financial liabilities classified as liabilities directly associated with assets classified as held-for-sale) of the Company based on the remaining contractual maturities: (cont'd)

	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2013					
Insurance contract liabilities: *					
-With DPF	5,472,154	42,644	388,225	14,324,934	14,755,803
-Without DPF	1,503,454	929,610	53,829	1,575,190	2,558,629
Insurance payables	1,017,486	1,017,486	-	-	1,017,486
Other payables	147,667	147,667	-	-	147,667
Derivative liabilities	15,160	15,160	-	-	15,160
Subordinated notes	506,765	31,138	111,677	625,320	768,135
Total financial liabilities	<u>8,662,686</u>	<u>2,183,705</u>	<u>553,731</u>	<u>16,525,444</u>	<u>19,262,880</u>

* Excluding AFS reserve.

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32 . FINANCIAL RISKS (CONT'D)

(b) Liquidity risk (cont'd)

Maturity profile of financial liabilities (cont'd)

For insurance contract liabilities, maturity profiles are estimated based on projected net cash outflows from the recognised insurance liabilities.

Investment-linked liabilities are repayable or transferable on demand and are included in the "up to 1 year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

(c) Market risk

Market risk is the risk of losses owing to changes in fair value of assets or financial instruments. The market risk factors are primarily volatility in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The change in market price maybe caused by factor(s) specific to the individual instrument or its issuer or factor(s) affecting all instruments traded in the market.

The segmentation of product liabilities facilitates an effective market risk analysis. The Company adopts prudent investment policies and strategies to mitigate adverse market risks. The investment policies guide the strategies on asset mix, asset quality, sector mix, currency mix, interest rate risk exposure and liquidity targets.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(c) Market risk (cont'd)****(i) Currency risk (cont'd)**

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

	Financial assets RM'000
2014	
Singaporean dollar	92,254
US dollar	300,170
Australian dollar	15,870
Hong Kong dollar	141,941
Great Britain pound	28,408
Japanese yen	45,933
Thailand baht	13,125
Indonesian Rupiah	4,835
Total	<u>642,536</u>
2013	
Singaporean dollar	49,636
US dollar	290,629
Australian dollar	27,915
Hong Kong dollar	142,811
Great Britain pound	23,932
Japanese yen	38,525
Korean won	4,992
Thailand baht	11,770
Total	<u>590,210</u>

The financial liabilities of the Company are all denominated in Ringgit Malaysia.

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(c) Market risk (cont'd)****(i) Currency risk (cont'd)**

The following table demonstrates the sensitivity to a reasonably possible change in currency rates for all currencies other than the functional currency stated above, with all other variables held constant showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before tax	Impact on equity *
	RM'000	RM'000
2014		
Change in currency rates:		
+ 5%	4,548	3,601
- 5%	(4,548)	(3,601)
2013		
Change in currency rates:		
+ 5%	4,462	3,499
- 5%	(4,462)	(3,499)

* Impact on equity reflects adjustments for tax, when applicable.

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NOTES TO THE FINANCIAL STATEMENTS

32 . FINANCIAL RISKS (CONT'D)

(c) Market risk (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises due to differences in pricing or tenure of investments and liabilities. For the insurance business, interest rate risk is managed by limiting the interest rate guarantees that are embedded in the insurance plans. The interest rate risk is also managed through setting the appropriate asset allocation reflecting the liability profile and the availability of suitable instrument in the investment market. The nature of the participating fund gives the Company the flexibility to adjust the policyholders' bonus or dividends.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on equity*	
	2014	2013
	RM'000	RM'000
Change in interest rate:		
+ 100 basis point	(47,930)	(35,726)
- 100 basis point	52,693	38,782

* Impact on equity reflects adjustments for tax, when applicable.

The above impact to the Company's equity arose from the investments in fixed income securities which are classified as available-for-sale financial assets does not have any impact on profit before tax. The impact arising from changes in interest rate risk to fixed income securities of the insurance contracts with DPF are retained in the insurance contract liabilities. Investment in unit trusts are insensitive to interest rate risk.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

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32 . FINANCIAL RISKS (CONT'D)

(c) Market risk (cont'd)

(iii) Price risk

The Company's price risk exposure relates to financial assets and liabilities, whose values will fluctuate as a result of the change in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to the individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company has acknowledged the inherent risk of investing in equities. Management is guided with investment policies that are approved by the Board in monitoring equity exposure and compliance with operational controls. In addition, the Investment Committee at its monthly meeting discusses the economic and market outlook, reviews transactions and deliberates on equity allocation. The nature of the participating fund gives the flexibility to adjust the policyholders' bonus or dividends.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on equity*	
	2014	2013
	RM'000	RM'000
Change in equity market price:		
+ 20%	105,603	74,758
- 20%	(105,603)	(74,758)

* Impact on equity reflects adjustments for tax, when applicable.

The above impact to the Company's equity arose from the investments in equity securities which are classified as available-for-sale financial assets and hence does not have any impact on profit before tax. In the analysis above, the impact arising from changes in prices of equity securities of the insurance contracts with DPF is retained in the insurance contract liabilities.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

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NOTES TO THE FINANCIAL STATEMENTS**32 . FINANCIAL RISKS (CONT'D)****(c) Market risk (cont'd)****(iv) Operational risk**

Operational risk is the risk of losses resulting from inadequate or failed internal processes, risk management policies and procedures, systems failures, human performance failures or from external events. The Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people are in place throughout the Company. The Company uses an established program of comprehensive risk self-assessments in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls.

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NOTES TO THE FINANCIAL STATEMENTS**33 . FAIR VALUE HIERARCHY**Recurring fair values measurements

The table below analyses those financial instruments carried at fair value by their valuation method.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Financial assets			Derivatives
	AFS	FVTPL	Total	
	RM'000	RM'000	RM'000	RM'000
2014				
Level 1	1,526,707	626,076	2,152,783	-
Level 2	5,785,417	307,101	6,092,518	1,212
Level 3	2,147	-	2,147	-
	<u>7,314,271</u>	<u>933,177</u>	<u>8,247,448</u>	<u>1,212</u>
2013				
Level 1	1,088,998	527,999	1,616,997	-
Level 2	4,844,212	198,710	5,042,922	554
Level 3	2,147	-	2,147	-
	<u>5,935,357</u>	<u>726,709</u>	<u>6,662,066</u>	<u>554</u>

There is no significant transfer between Level 1 and Level 2 of the fair value hierarchy during the current financial year. There is also no movement in Level 3 of the fair value hierarchy during the current financial year.

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NOTES TO THE FINANCIAL STATEMENTS**34 . INSURANCE FUNDS**

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund ("SHF") in accordance with the Insurance Act, 1996. The Insurance Act, 1996 was repealed and replaced by the Financial Services Act, 2013 which is effective from 30 June 2013, except for certain sections in the Insurance Act, 1996 which continue to remain effective. The Company's statement of financial position and income statement have been further analysed by funds which include the Life Fund, Investment-linked Fund ("ILF") and the SHF. The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Unit-linked products.

STATEMENT OF FINANCIAL POSITION BY FUNDS 30 JUNE 2014

	Shareholders' Fund RM'000	Life Fund RM'000	Investment -linked Fund RM'000	Inter-fund elimination RM'000	Total RM'000
Assets					
Property, plant and equipment	2,485	87,991	-	-	90,476
Intangible assets	-	4,110	-	-	4,110
Investment properties	-	241,760	-	-	241,760
Financial assets	1,005,692	7,595,657	933,177	-	9,534,526
- HTM financial assets	-	576,151	-	-	576,151
- AFS financial assets	1,005,661	6,308,610	-	-	7,314,271
- FVTPL financial assets	-	-	933,177	-	933,177
- Loans and receivables	31	710,896	-	-	710,927
Derivative assets	98	694	420	-	1,212
Reinsurance assets	-	37,346	-	-	37,346
Insurance receivables	-	111,398	-	-	111,398
Other receivables	822,685	33,870	3,118	(816,989)	42,684
Non-current assets held-for-sale	60	-	-	-	60
Cash and cash equivalents	72,517	1,493,126	110,418	-	1,676,061
Total assets	1,903,537	9,605,952	1,047,133	(816,989)	11,739,633

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NOTES TO THE FINANCIAL STATEMENTS**34 . INSURANCE FUNDS (CONT'D)****STATEMENT OF FINANCIAL POSITION BY FUNDS 30 JUNE 2014 (CONT'D)**

	Shareholders' Fund RM'000	Life Fund RM'000	Investment -linked Fund RM'000	Inter-fund elimination RM'000	Total RM'000
Equity, policyholders' fund and liabilities					
Share capital	200,000	-	-	-	200,000
Reserves	1,037,848	-	-	-	1,037,848
Total equity	1,237,848	-	-	-	1,237,848
Insurance contract liabilities	-	7,328,531	1,032,243	-	8,360,774
Deferred tax liabilities	150,319	21,004	9,756	-	181,079
Tax payables	7,696	6,199	2,721	-	16,616
Insurance payables	-	1,273,312	-	-	1,273,312
Other payables	833	971,698	2,379	(816,989)	157,921
Derivative liabilities	-	5,208	34	-	5,242
Subordinated notes	506,841	-	-	-	506,841
Total policyholders' fund and liabilities	665,689	9,605,952	1,047,133	(816,989)	10,501,785
Total equity, policyholders' fund and liabilities	1,903,537	9,605,952	1,047,133	(816,989)	11,739,633

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NOTES TO THE FINANCIAL STATEMENTS**34 . INSURANCE FUNDS (CONT'D)****STATEMENT OF FINANCIAL POSITION BY FUNDS 30 JUNE 2013**

	Shareholders' Fund RM'000	Life Fund RM'000	Investment -linked Fund RM'000	Inter-fund elimination RM'000	Total RM'000
Assets					
Property, plant and equipment	2,534	87,231	-	-	89,765
Intangible assets	-	3,808	-	-	3,808
Investment properties	-	231,680	-	-	231,680
Financial assets	986,387	6,598,678	726,709	-	8,311,774
- HTM financial assets	-	401,747	-	-	401,747
- AFS financial assets	986,357	4,949,000	-	-	5,935,357
- FVTPL financial assets	-	-	726,709	-	726,709
- Loans and receivables	30	1,247,931	-	-	1,247,961
Derivative assets	10	478	66	-	554
Reinsurance assets	-	50,546	-	-	50,546
Insurance receivables	-	90,380	-	-	90,380
Other receivables	670,438	22,127	6,386	(665,602)	33,349
Non-current assets held-for-sale	60	-	-	-	60
Cash and cash equivalents	80,852	1,142,358	107,535	-	1,330,745
Total assets	1,740,281	8,227,286	840,696	(665,602)	10,142,661

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NOTES TO THE FINANCIAL STATEMENTS**34 . INSURANCE FUNDS (CONT'D)****STATEMENT OF FINANCIAL POSITION BY FUNDS 30 JUNE 2013 (CONT'D)**

	Shareholders' Fund RM'000	Life Fund RM'000	Investment -linked Fund RM'000	Inter-fund elimination RM'000	Total RM'000
Equity, policyholders' fund and liabilities					
Share capital	200,000	-	-	-	200,000
Reserves	906,572	-	-	-	906,572
Total equity	1,106,572	-	-	-	1,106,572
Insurance contract liabilities	-	6,360,562	829,463	-	7,190,025
Deferred tax liabilities	120,214	20,235	7,034	-	147,483
Tax payables	3,910	8,355	323	-	12,588
Insurance payables	-	1,017,486	-	-	1,017,486
Other payables	2,224	808,341	1,619	(665,602)	146,582
Derivative liabilities	596	12,307	2,257	-	15,160
Subordinated notes	506,765	-	-	-	506,765
Total policyholders' fund and liabilities	633,709	8,227,286	840,696	(665,602)	9,036,089
Total equity, policyholders' fund and liabilities	1,740,281	8,227,286	840,696	(665,602)	10,142,661

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NOTES TO THE FINANCIAL STATEMENTS**34 . INSURANCE FUNDS (CONT'D)****INCOME STATEMENT BY FUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Shareholders' Fund RM'000	Life Fund RM'000	Investment- linked Fund RM'000	Inter-fund elimination RM'000	Total RM'000
Gross earned premiums	-	2,171,321	190,427	-	2,361,748
Premiums ceded to reinsurers	-	(67,982)	-	-	(67,982)
Net earned premiums	-	2,103,339	190,427	-	2,293,766
Investment income	36,812	384,183	31,378	-	452,373
Realised gains	22,356	60,376	30,791	-	113,523
Fair value gains	685	17,396	34,110	-	52,191
Fees and commission income	-	16,590	-	(10,401)	6,189
Other operating (expenses) /income-net	(969)	1,252	(153)	-	130
Other revenue	58,884	479,797	96,126	(10,401)	624,406
Gross benefits and claims paid	-	(914,359)	(65,955)	-	(980,314)
Claims ceded to reinsurers	-	63,205	-	-	63,205
Gross change to contract liabilities	-	(962,025)	(202,780)	-	(1,164,805)
Change in contract liabilities ceded to reinsurers	-	(1,763)	-	-	(1,763)
Net claims	-	(1,814,942)	(268,735)	-	(2,083,677)
Fees and commission expense	20	(386,267)	(10,401)	10,401	(386,247)
Management expenses	712	(121,400)	(44)	-	(120,732)
Other expenses	732	(507,667)	(10,445)	10,401	(506,979)
Finance costs	(22,677)	-	-	-	(22,677)
Profit from operations	36,939	260,527	7,373	-	304,839

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NOTES TO THE FINANCIAL STATEMENTS**34 . INSURANCE FUNDS (CONT'D)****INCOME STATEMENT BY FUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 (CONT'D)**

	Shareholders' Fund RM'000	Life Fund RM'000	Investment- linked Fund RM'000	Inter-fund elimination RM'000	Total RM'000
Profit from operations	36,939	260,527	7,373	-	304,839
Inter-fund transfer:					
From Life Fund					
to Shareholders' Fund	75,000	(75,000)	-	-	-
Profit before taxation	111,939	185,527	7,373	-	304,839
Taxation	(51,086)	(26,715)	(7,373)	-	(85,174)
Net profit for the financial year	<u>60,853</u>	<u>158,812</u>	<u>-</u>	<u>-</u>	<u>219,665</u>

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NOTES TO THE FINANCIAL STATEMENTS**34 . INSURANCE FUNDS (CONT'D)****INCOME STATEMENT BY FUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	Shareholders' Fund RM'000	Life Fund RM'000	Investment- linked Fund RM'000	Inter-fund elimination RM'000	Total RM'000
Gross earned premiums	-	1,855,028	139,792	-	1,994,820
Premiums ceded to reinsurers	-	(59,720)	-	-	(59,720)
Net earned premiums	-	1,795,308	139,792	-	1,935,100
Investment income	27,794	337,804	26,133	-	391,731
Realised gains	14,106	113,836	26,955	-	154,897
Fair value (losses)/gains	(461)	(9,823)	48,701	-	38,417
Fees and commission income	-	12,914	-	(8,164)	4,750
Other revenue	41,439	454,731	101,789	(8,164)	589,795
Gross benefits and claims paid	-	(801,548)	(53,255)	-	(854,803)
Claims ceded to reinsurers	-	58,411	-	-	58,411
Gross change to contract liabilities	-	(879,530)	(172,199)	-	(1,051,729)
Change in contract liabilities ceded to reinsurers	-	529	-	-	529
Net claims	-	(1,622,138)	(225,454)	-	(1,847,592)
Fees and commission expense	(87)	(357,833)	(8,164)	8,164	(357,920)
Management expenses	(349)	(112,467)	-	-	(112,816)
Other operating expenses-net	(2,191)	(35,660)	-	-	(37,851)
Other expenses	(2,627)	(505,960)	(8,164)	8,164	(508,587)
Finance costs	(8,889)	-	-	-	(8,889)
Profit from operations	29,923	121,941	7,963	-	159,827

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NOTES TO THE FINANCIAL STATEMENTS**34 . INSURANCE FUNDS (CONT'D)****INCOME STATEMENT BY FUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONT'D)**

	Shareholders' Fund RM'000	Life Fund RM'000	Investment- linked Fund RM'000	Inter-fund elimination RM'000	Total RM'000
Profit from operations	29,923	121,941	7,963	-	159,827
Inter-fund transfer:					
From Life Fund					
to Shareholders' Fund	66,000	(66,000)	-	-	-
Profit before taxation	95,923	55,941	7,963	-	159,827
Taxation	(19,949)	(27,429)	(7,963)	-	(55,341)
Net profit for the financial year	<u>75,974</u>	<u>28,512</u>	<u>-</u>	<u>-</u>	<u>104,486</u>

35 . INVESTMENT-LINKED FUND

The statement of financial position and statement of comprehensive income of Investment-linked funds have been adjusted for the following assets, liabilities and net asset value of HLA Dana Suria Fund which has been eliminated as the fund invested 50% in HLA Venture Dana Putra during the financial year:

	2014 RM'000
<u>Statement of financial position</u>	
Assets	
Financial assets - FVTPL financial assets	5,679
Total assets	<u>5,679</u>
Liabilities	
Deferred tax liabilities	10
Total liabilities	<u>10</u>
Net asset value	<u>5,669</u>
<u>Statement of comprehensive income</u>	
Net earned premiums	5,553
Fair value gains	126
Profit before taxation	<u>5,679</u>
Taxation	(10)
Net profit for the financial year	<u>5,669</u>