

**Registration No. 198201014849 (94613-X)**

**HONG LEONG ASSURANCE BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

**HONG LEONG ASSURANCE BERHAD**  
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<b>CONTENTS</b>	<b>PAGE</b>
UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION	1
UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME	2
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY	3
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS	4 to 6
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	7 to 27

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

	Note	31.12.2020 RM'000	30.6.2020 RM'000
<b>Assets</b>			
Property, plant and equipment		82,082	81,978
Intangible assets		6,297	7,312
Right-of-use assets		7,986	7,469
Investment properties	2	472,610	472,610
Financial assets	3	21,721,912	19,478,945
- Fair value through profit or loss financial assets	3	20,934,922	18,376,620
- Amortised cost financial assets	3	786,990	1,102,325
Derivative assets		21,577	10,114
Reinsurance assets	5	14,795	31,793
Insurance receivables		61,204	89,819
Other receivables		40,159	19,824
Cash and cash equivalents		1,374,374	1,757,917
<b>Total assets</b>		23,802,996	21,957,781
<b>Equity, policyholders' fund and liabilities</b>			
Share capital		200,000	200,000
Reserves		1,798,389	1,681,266
<b>Total equity</b>		1,998,389	1,881,266
Insurance contract liabilities	5	17,085,862	15,884,868
Deferred tax liabilities		410,493	338,679
Tax payables		40,010	19,077
Insurance payables		3,468,283	3,272,548
Other payables		170,562	227,173
Lease Liabilities		8,352	7,705
Derivative liabilities		16,181	21,782
Subordinated notes		604,864	304,683
<b>Total policyholders' fund and liabilities</b>		21,804,607	20,076,515
<b>Total equity, policyholders' fund and liabilities</b>		23,802,996	21,957,781

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

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	<b>6 months ended 31.12.2020 RM'000</b>	<b>6 months ended 31.12.2019 RM'000</b>
Gross earned premiums	1,568,880	1,386,432
Premiums ceded to reinsurers	(66,469)	(51,318)
<b>Net earned premiums</b>	<b>1,502,411</b>	<b>1,335,114</b>
Investment income	456,019	444,480
Realised gains	113,604	13,996
Fair value gains	661,021	129,532
Fees and commission income	(268)	70
Other operating income-net	-	1,199
<b>Other revenue</b>	<b>1,230,376</b>	<b>589,277</b>
Gross benefits and claims paid	(990,910)	(929,097)
Claims ceded to reinsurers	31,081	64,872
Gross change to contract liabilities	(1,199,607)	(659,657)
Change in contract liabilities ceded to reinsurers	(2,714)	(1,686)
<b>Net benefits and claims</b>	<b>(2,162,150)</b>	<b>(1,525,568)</b>
Fees and commission expense	(201,437)	(172,226)
Management expenses	(104,918)	(87,593)
Other operating expenses-net	(31,922)	-
<b>Other expenses</b>	<b>(338,277)</b>	<b>(259,819)</b>
Finance cost	(6,006)	(11,431)
Surplus before taxation	226,354	127,573
Tax expense attributable to participating fund and unitholders	(75,229)	(29,542)
<b>Profit before taxation attributable to shareholders</b>	<b>151,125</b>	<b>98,031</b>
Taxation	(109,231)	(54,052)
Tax expense attributable to participating fund and unitholders	75,229	29,542
Taxation attributable to shareholders	(34,002)	(24,510)
<b>Net profit for the financial period</b>	<b>117,123</b>	<b>73,521</b>
<b>Earnings per share (sen)</b>	<b>58.56</b>	<b>36.76</b>

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	Issued and fully paid ordinary shares of RM1 each		Reserves			Total RM'000
	No. of shares '000	Share capital RM'000	Non-distributable Fair value reserve RM'000	*Retained earnings RM'000	Distributable Retained earnings RM'000	
At 1 July 2019	200,000	200,000	-	1,074,418	515,608	1,790,026
Profit for the financial period	-	-	-	69,952	3,569	73,521
Dividend paid during the financial period	-	-	-	-	(50,000)	(50,000)
At 31 December 2019	200,000	200,000	-	1,144,370	469,177	1,813,547
At 1 July 2020	200,000	200,000	-	1,176,535	504,731	1,881,266
Profit for the financial period	-	-	-	102,566	14,557	117,123
At 31 December 2020	200,000	200,000	-	1,279,101	519,288	1,998,389

\* 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.*

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	<b>6 months ended 31.12.2020 RM'000</b>	<b>6 months ended 31.12.2019 RM'000</b>
<b>Operating activities</b>		
Net profit for the financial period	117,123	73,521
Adjustments for:		
Investment income	(456,019)	(444,480)
Net realised gains	(113,604)	(13,996)
Fair value gains	(661,021)	(129,532)
Foreign exchange losses	36,510	4,668
Proceeds from sale of fair value through profit or loss financial assets	1,236,059	1,438,876
Maturity of fair value through profit or loss financial assets	259,118	246,800
Purchase of fair value through profit or loss financial assets	(3,354,787)	(2,713,172)
Increase in amortised cost financial assets	316,653	355,167
Proceeds from realisation of derivatives	29,002	807
Interest on subordinated notes	5,940	11,342
Amortisation of incidental cost	66	89
Interest on lease liabilities	381	81
	<u>(2,701,702)</u>	<u>(1,243,350)</u>
<b>Non-cash items:</b>		
Depreciation of property, plant and equipment	2,287	2,623
Depreciation of right-of-use assets	1,054	1,261
Amortisation of intangible assets	1,311	1,274
Tax expense	109,231	54,052
	<u>113,883</u>	<u>59,210</u>
<b>Changes in working capital:</b>		
Decrease/(increase) in reinsurance assets	16,998	(29,372)
Decrease in insurance receivables	28,615	16,763
(Increase)/decrease in other receivables	(14,256)	4,277
Increase in insurance contract liabilities	1,200,994	716,488
Increase in insurance payables	195,735	169,141
Decrease in other payables	(56,611)	(45,900)
	<u>1,371,475</u>	<u>831,397</u>

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020 (CONT'D)**

	<b>6 months ended 31.12.2020 RM'000</b>	<b>6 months ended 31.12.2019 RM'000</b>
Cash used in operating activities	(1,099,221)	(279,222)
Dividend income received	129,756	115,966
Interest income received	309,881	316,982
Rental expenses paid	(64)	(516)
Income taxes paid	(15,665)	(29,291)
Net cash (outflow)/inflow from operating activities	<u>(675,313)</u>	<u>123,919</u>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	204	70
Purchase of property, plant and equipment	(2,331)	(2,194)
Purchase of intangible assets	(296)	(652)
Net cash outflow from investing activities	<u>(2,423)</u>	<u>(2,776)</u>
<b>Financing activities</b>		
Dividends paid	-	(50,000)
Payment of lease liabilities	(924)	(1,236)
Interest paid on lease liabilities	(381)	(81)
Issuance of subordinated notes	300,000	-
Interest paid on subordinated notes	(5,759)	(11,157)
Related expenses paid on subordinated notes	(66)	(8)
Net cash inflow/(outflow) from financing activities	<u>292,870</u>	<u>(62,482)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,323</u>	<u>2,020</u>
Net (decrease)/increase in cash and cash equivalents	<u>(383,543)</u>	<u>60,681</u>
Cash and cash equivalents at beginning of the financial period	<u>1,757,917</u>	<u>1,171,884</u>
<b>Cash and cash equivalents at end of the financial period</b>	<b><u>1,374,374</u></b>	<b><u>1,232,565</u></b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	99,710	80,192
Deposits with maturity of less than 3 months		
- Licensed financial institutions	1,274,664	1,152,373
	<u>1,374,374</u>	<u>1,232,565</u>

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

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020 (CONT'D)**

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are mainly funded from the cash flows associated with the origination of insurance contracts, net the cash flows for payments of benefits and claims incurred for insurance contract, which are treated under operating activities.

(a) Analysis of changes in liabilities arising from financing activities is as follows:

	<b>6 months ended 31.12.2020 RM'000</b>	<b>6 months ended 31.12.2019 RM'000</b>
<b>Subordinated note</b>		
Balance at the beginning of the financial period	304,683	507,726
<b>Cash changes:</b>		
- Issuance	300,000	-
- Interest paid	(5,759)	(11,157)
- Related expenses paid	(66)	(8)
<b>Non-cash changes:</b>		
- Accrued interest	5,940	11,342
- Amortised incidental costs/ related expenses	66	89
Balance at the end of the financial period	<u>604,864</u>	<u>507,992</u>
<b>Leases</b>		
Balance at the beginning of the financial year	7,705	-
- Effect on adoption of MFRS 16	-	2,753
- As restated at 1 July	7,705	2,753
<b>Cash changes:</b>		
- Repayments	(924)	(1,236)
- Interest paid	(381)	(81)
<b>Non-cash changes:</b>		
- Additions	1,571	2,045
- Accrued interest	381	81
Balance at the end of the financial period	<u>8,352</u>	<u>3,562</u>

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



## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

### **1 . BASIS OF PREPARATION**

The unaudited condensed financial statements for the six months ended 31 December 2020 of Hong Leong Assurance Bhd ("the Company") have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which are stated at fair value.

The unaudited condensed financial statements have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standard Board and should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 30 June 2020. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Company since the financial year ended 30 June 2020.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2020 and modified for the adoption of the following accounting standards applicable for financial period beginning on or after 1 July 2020:

- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 7, MFRS 9 and MFRS 139 'Interest Rate Benchmark Reform'
- Revised Conceptual Framework for Financial Reporting

The adoption of the above amendments to MFRSs are not expected to have significant financial impact to the financial statements of the Company.

The preparation of unaudited condensed financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and the reported amounts of income and expenses during the reported financial period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**2 . INVESTMENT PROPERTIES**

	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
As at beginning of the financial period/year	472,610	489,500
Fair value losses	-	(16,890)
	<u>472,610</u>	<u>472,610</u>
As at end of the financial period/year	<u>472,610</u>	<u>472,610</u>
The analysis of investment properties is as follows:		
Freehold land and building	470,000	470,000
Leasehold land and building *	2,610	2,610
	<u>472,610</u>	<u>472,610</u>

\* Leasehold land are right-of-use ("ROU") assets within the scope of MFRS 16. The Company applies the fair value model to ROU assets that meet the definition of investment property of MFRS 140.

The fair values of the investment properties as at 30 June 2020 were revalued by an independent professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. Fair value changes are recorded in the income statement.

Valuation techniques adopted

Pursuant to MFRS 13 Fair Value Measurement, the Company establishes a fair value hierarchy that categories into three levels of inputs to valuation techniques used to measure fair value as disclosed in Note 4.

	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Level 2	2,610	2,610
Level 3	470,000	470,000
	<u>472,610</u>	<u>472,610</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**2. INVESTMENT PROPERTIES (CONT'D)**

Valuation techniques adopted (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties measured at Level 3:

<b>Valuation technique</b>	<b>Unobservable input</b>	<b>31.12.2020</b>	<b>30.6.2020</b>
Comparison & Investment Method	Term Yield	6.00%	6.00%
	Revisionary rate	6.50% - 6.75%	6.50% - 6.75%
	Average rental per square feet	RM2.24 - RM3.73	RM2.24 - RM3.73
	Discount rate	6.50% - 6.75%	6.50% - 6.75%
	Estimated value per square feet	RM523.87 - RM798.00	RM523.87 - RM798.00

The investment properties generated rental income and incurred the following direct expenses:

	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income generated	4,138	9,454
Direct operating expenses	(4,114)	(10,188)
	24	(734)
	24	(734)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**3 . FINANCIAL ASSETS**

	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Securities and other Government guaranteed assets	7,106,374	6,500,866
Corporate bonds	6,849,628	6,465,590
Equity securities	3,834,442	3,055,146
Unit trusts and real estate investment trusts	1,860,732	1,280,690
Policy loans and premium loans	434,629	509,817
Deposits with financial institutions	1,636,107	1,666,836
	<u>21,721,912</u>	<u>19,478,945</u>

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

Fair value through profit and loss ("FVTPL") financial assets	20,934,922	18,376,620
Amortised cost ("AC") financial assets	786,990	1,102,325
	<u>21,721,912</u>	<u>19,478,945</u>

The following investments mature within 12 months:

FVTPL financial assets	455,897	374,826
AC financial assets	733,179	1,021,473
	<u>1,189,076</u>	<u>1,396,299</u>

The following investments mature after 12 months:

FVTPL financial assets	20,479,025	18,001,794
AC financial assets	53,811	80,852
	<u>20,532,836</u>	<u>18,082,646</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**3 . FINANCIAL ASSETS (CONT'D)**

The Company's financial investments are summarised by categories as follows: (cont'd)

(a) FVTPL financial assets

	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
Malaysian Government Securities and other Government guaranteed assets	7,106,374	6,500,866
Corporate bonds		
- Unquoted in Malaysia	6,523,009	6,121,942
- Unquoted outside Malaysia	326,619	343,648
Equity securities		
- Quoted in Malaysia *	3,280,884	2,578,669
- Quoted outside Malaysia	531,243	454,162
- Unquoted in Malaysia	22,315	22,315
Unit trusts and real estate investment trusts		
- Quoted in Malaysia	149,043	159,378
- Unquoted in Malaysia	1,711,689	1,121,312
Deposits with financial institutions	1,283,746	1,074,328
	<u>20,934,922</u>	<u>18,376,620</u>

\* As at 31.12.2020, includes Hong Leong Financial Group Berhad ("HLFG") ordinary shares held by RHB Trustees Berhad (2019: MTrustee Berhad) for the ESOS scheme by HLFG.

(b) AC financial assets

	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At cost:</b>		
Deposits with financial institutions	352,361	592,508
Policy loans	32,221	33,917
Premium loans	402,408	475,900
	<u>786,990</u>	<u>1,102,325</u>

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

### **4 . 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 instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instrument are generally classified as Level 2.

Level 2 valuation are mainly based on indicative fair market prices/index by reference to the quotations provided by financial institutions and brokers. 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.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**4 . FAIR VALUE HIERARCHY (CONT'D)**

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

	<b>Fair value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Recurring fair value measurement</u></b>				
<b>31.12.2020</b>				
<b>Financial assets</b>				
FVTPL financial assets	5,672,859	15,239,748	22,315	20,934,922
Derivative assets	-	21,577	-	21,577
<b>Total assets</b>	<b>5,672,859</b>	<b>15,261,325</b>	<b>22,315</b>	<b>20,956,499</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	16,181	-	16,181
<b>Total liabilities</b>	<b>-</b>	<b>16,181</b>	<b>-</b>	<b>16,181</b>
<b>30.6.2020</b>				
<b>Financial assets</b>				
FVTPL financial assets	4,313,521	14,040,784	22,315	18,376,620
Derivative assets	-	10,114	-	10,114
<b>Total assets</b>	<b>4,313,521</b>	<b>14,050,898</b>	<b>22,315</b>	<b>18,386,734</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	21,782	-	21,782
<b>Total liabilities</b>	<b>-</b>	<b>21,782</b>	<b>-</b>	<b>21,782</b>

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period.

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## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

### **4 . FAIR VALUE HIERARCHY (CONT'D)**

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	<b>FVTPL financial assets RM'000</b>
At 1 July 2019	19,684
Fair value gains	2,631
At 30 June 2020/31 December 2020	<u>22,315</u>



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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**5. INSURANCE CONTRACT LIABILITIES**

	<b>Gross</b>		<b>Reinsurance</b>		<b>Net</b>	
	<b>31.12.2020</b>	<b>30.6.2020</b>	<b>31.12.2020</b>	<b>30.6.2020</b>	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for outstanding claims	160,855	159,466	(40,548)	(54,832)	120,307	104,634
Actuarial liabilities	12,382,932	12,088,368	25,753	23,039	12,408,685	12,111,407
Unallocated surplus	588,210	508,509	-	-	588,210	508,509
Net asset value attributable to unitholders (Note 8)	3,953,865	3,128,525	-	-	3,953,865	3,128,525
Life insurance contract liabilities	<u>17,085,862</u>	<u>15,884,868</u>	<u>(14,795)</u>	<u>(31,793)</u>	<u>17,071,067</u>	<u>15,853,075</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**5. 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 2019	10,563,212	4,026,987	14,590,199	(883)	(14,775)	(15,658)	14,574,541
Change in non-economic assumptions and valuation methodology:							
Model and Methodology	83,468	(392)	83,076	-	10,182	10,182	93,258
Mortality & TPD Assumption	(1,217)	(5,485)	(6,702)	-	3,060	3,060	(3,642)
Critical Illnesses Assumption	1,409	(2,394)	(985)	-	(2)	(2)	(987)
HSI, HIB and PA Assumptions	-	879	879	-	-	-	879
Expense Assumption	16,248	237	16,485	-	-	-	16,485
Lapse Assumption	8,169	(167)	8,002	-	(1,114)	(1,114)	6,888
Other Assumptions	2,383	30,378	32,761	-	-	-	32,761
Change in economic assumptions							
MGS	-	117,409	117,409	-	1,005	1,005	118,414
Discount Rate	169,136	(71)	169,065	-	-	-	169,065
Other Assumptions	-	(62)	(62)	-	-	-	(62)
Projected change for inforce policies at 30 June 2019	100,088	161,685	261,773	-	(447)	(447)	261,326
Experience variance	99,675	22,644	122,319	-	440	440	122,759
IBNR	(391)	1,480	1,089	-	-	-	1,089
Others - EMGS Inwards Reinsurance	-	1,159	1,159	-	-	-	1,159
New business	6,585	92,326	98,911	-	2,876	2,876	101,787
Change in unprocessed unit reserves	-	(6,006)	(6,006)	-	-	-	(6,006)
Change in provision for outstanding claims	18,862	49,002	67,864	(180)	(31,955)	(32,135)	35,729
Change in net asset value attributable to unitholders	-	555,887	555,887	-	-	-	555,887
Change in unallocated surplus	(228,255)	-	(228,255)	-	-	-	(228,255)
At 30 June 2020	10,839,372	5,045,496	15,884,868	(1,063)	(30,730)	(31,793)	15,853,075

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**5. 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 2020	10,839,372	5,045,496	15,884,868	(1,063)	(30,730)	(31,793)	15,853,075
Change in non-economic assumptions and valuation methodology:							
Model and Methodology	6,134	1,262	7,396	-	(75)	(75)	7,321
HSI, HIB and PA Assumptions	-	(1,362)	(1,362)	-	-	-	(1,362)
Other Assumptions	16,555	-	16,555	-	-	-	16,555
Change in economic assumptions	-	37,542	37,542	-	330	330	37,872
Projected change for inforce policies at 30 June 2020	(112,708)	66,785	(45,923)	-	(372)	(372)	(46,295)
Experience variance	218,833	11,330	230,163	-	531	531	230,694
IBNR	(128)	(605)	(733)	-	-	-	(733)
Others - EMGS Inwards Reinsurance	-	(161)	(161)	-	-	-	(161)
New business	3,777	48,598	52,375	-	2,300	2,300	54,675
Change in unprocessed unit reserves	-	(1,288)	(1,288)	-	-	-	(1,288)
Change in provision for outstanding claims	24,452	(23,063)	1,389	204	14,080	14,284	15,673
Change in net asset value attributable to unitholders	-	825,340	825,340	-	-	-	825,340
Change in unallocated surplus	79,701	-	79,701	-	-	-	79,701
At 31 December 2020	11,075,988	6,009,874	17,085,862	(859)	(13,936)	(14,795)	17,071,067

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**6 . TOTAL CAPITAL AVAILABLE**

The capital structure of the Company as at the date of the statement of financial position, consisting of all funds as prescribed under the Risk-Based Capital ("RBC") Framework is provided below:

	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 capital</b>		
- Share capital (paid up)	200,000	200,000
- Reserves	4,051,313	3,852,275
<b>Eligible Tier 2 capital</b>		
- Eligible reserves	600,000	300,000
<b>Deductions</b>	(9,154)	(12,672)
	<u>4,842,159</u>	<u>4,339,603</u>

The Company has met the minimum capital requirements specified in the RBC Framework for the financial period ended 31.12.2020 and 30.6.2020.

**7 . CAPITAL COMMITMENTS**

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

	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised and contracted for:		
- Property, plant and equipment	1,072	1,266
- Intangible assets	2,999	1,990
	<u>4,071</u>	<u>3,256</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**8 . INSURANCE FUNDS**

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund ("SHF") in accordance with the Financial Services Act, 2013. The Company's statement of financial position and income statement have been further analysed by funds which include the Life Fund ("LF"), Investment-linked Fund ("ILF") and SHF. The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Investment-linked products.

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 31 DECEMBER 2020**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>					
Property, plant and equipment	1,940	80,142	-	-	82,082
Intangible assets	-	6,297	-	-	6,297
Right-of-use assets	724	7,262	-	-	7,986
Investment properties	210,000	262,610	-	-	472,610
Financial assets	1,114,155	16,908,571	3,699,186	-	21,721,912
- FVTPL financial assets	1,114,124	16,145,530	3,675,268	-	20,934,922
- AC financial assets	31	763,041	23,918	-	786,990
Derivative assets	129	20,212	1,236	-	21,577
Reinsurance assets	-	14,795	-	-	14,795
Insurance receivables	-	61,204	-	-	61,204
Other receivables	1,563,473	28,476	15,278	(1,567,068)	40,159
Cash and cash equivalents	22,928	1,077,990	273,456	-	1,374,374
<b>Total assets</b>	<b>2,913,349</b>	<b>18,467,559</b>	<b>3,989,156</b>	<b>(1,567,068)</b>	<b>23,802,996</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**8 . INSURANCE FUNDS (CONT'D)**

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 31 DECEMBER 2020 (CONT'D)**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Equity, policyholders' fund and liabilities</b>					
Share capital	200,000	-	-	-	200,000
Reserves	1,798,389	-	-	-	1,798,389
<b>Total equity</b>	1,998,389	-	-	-	1,998,389
Insurance contract liabilities	-	13,131,997	3,953,865	-	17,085,862
Deferred tax liabilities	277,922	112,309	20,262	-	410,493
Tax payables	3,271	28,641	8,098	-	40,010
Insurance payables	-	3,468,283	-	-	3,468,283
Other payables	28,127	1,702,572	6,931	(1,567,068)	170,562
Lease Liabilities	773	7,579	-	-	8,352
Derivative liabilities	3	16,178	-	-	16,181
Subordinated notes	604,864	-	-	-	604,864
<b>Total policyholders' fund and liabilities</b>	914,960	18,467,559	3,989,156	(1,567,068)	21,804,607
<b>Total equity, policyholders' fund and liabilities</b>	2,913,349	18,467,559	3,989,156	(1,567,068)	23,802,996

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**8 . INSURANCE FUNDS (CONT'D)**

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 30 JUNE 2020**

	<b>SHF</b>	<b>LF</b>	<b>ILF</b>	<b>Inter-fund elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>					
Property, plant and equipment	1,993	79,985	-	-	81,978
Intangible assets	-	7,312	-	-	7,312
Right-of-use assets	786	6,683	-	-	7,469
Investment properties	210,000	262,610	-	-	472,610
Financial assets	704,373	15,851,078	2,923,494	-	19,478,945
- FVTPL financial assets	704,343	14,778,063	2,894,214	-	18,376,620
- AC financial assets	30	1,073,015	29,280	-	1,102,325
Derivative assets	92	9,028	994	-	10,114
Reinsurance assets	-	31,793	-	-	31,793
Insurance receivables	-	89,819	-	-	89,819
Other receivables	1,514,017	21,111	2,150	(1,517,454)	19,824
Cash and cash equivalents	33,097	1,495,620	229,200	-	1,757,917
<b>Total assets</b>	<b>2,464,358</b>	<b>17,855,039</b>	<b>3,155,838</b>	<b>(1,517,454)</b>	<b>21,957,781</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**8 . INSURANCE FUNDS (CONT'D)**

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 30 JUNE 2020 (CONT'D)**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Equity, policyholders' fund and liabilities</b>					
Share capital	200,000	-	-	-	200,000
Reserves	1,681,266	-	-	-	1,681,266
<b>Total equity</b>	<b>1,881,266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,881,266</b>
Insurance contract liabilities	-	12,756,343	3,128,525	-	15,884,868
Deferred tax liabilities	252,904	87,992	(2,217)	-	338,679
Tax payables	2,544	14,592	1,941	-	19,077
Insurance payables	-	3,272,548	-	-	3,272,548
Other payables	22,132	1,695,090	27,405	(1,517,454)	227,173
Lease Liabilities	819	6,886	-	-	7,705
Derivative liabilities	10	21,588	184	-	21,782
Subordinated notes	304,683	-	-	-	304,683
<b>Total policyholders' fund and liabilities</b>	<b>583,092</b>	<b>17,855,039</b>	<b>3,155,838</b>	<b>(1,517,454)</b>	<b>20,076,515</b>
<b>Total equity, policyholders' fund and liabilities</b>	<b>2,464,358</b>	<b>17,855,039</b>	<b>3,155,838</b>	<b>(1,517,454)</b>	<b>21,957,781</b>



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**8 . INSURANCE FUNDS (CONT'D)**

**UNAUDITED CONDENSED INCOME STATEMENT BY FUND  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

	<b>SHF</b>	<b>LF</b>	<b>ILF</b>	<b>Inter-fund elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross earned premiums	-	1,006,768	562,112	-	1,568,880
Premiums ceded to reinsurers	-	(66,469)	-	-	(66,469)
<b>Net earned premiums</b>	<b>-</b>	<b>940,299</b>	<b>562,112</b>	<b>-</b>	<b>1,502,411</b>
Investment income	13,662	343,369	98,988	-	456,019
Realised gains	2,549	47,242	63,813	-	113,604
Fair value gains	26,610	338,125	296,286	-	661,021
Fees and commission income	-	15,181	-	(15,449)	(268)
<b>Other revenue</b>	<b>42,821</b>	<b>743,917</b>	<b>459,087</b>	<b>(15,449)</b>	<b>1,230,376</b>
Gross benefits and claims paid	-	(849,727)	(141,183)	-	(990,910)
Claims ceded to reinsurers	-	31,081	-	-	31,081
Gross change to contract liabilities	-	(374,266)	(825,341)	-	(1,199,607)
Change in contract liabilities ceded to reinsurers	-	(2,714)	-	-	(2,714)
<b>Net claims</b>	<b>-</b>	<b>(1,195,626)</b>	<b>(966,524)</b>	<b>-</b>	<b>(2,162,150)</b>
Fees and commission expense	1,956	(207,800)	(11,042)	15,449	(201,437)
Management expenses	(20,764)	(84,154)	-	-	(104,918)
Other operating expenses-net	913	(19,191)	(13,644)	-	(31,922)
<b>Other expenses</b>	<b>(17,895)</b>	<b>(311,145)</b>	<b>(24,686)</b>	<b>15,449</b>	<b>(338,277)</b>
Finance costs	(6,006)	-	-	-	(6,006)
<b>Profit before taxation</b>	<b>18,920</b>	<b>177,445</b>	<b>29,989</b>	<b>-</b>	<b>226,354</b>
Taxation	(26,878)	(52,364)	(29,989)	-	(109,231)
<b>Net (loss)/profit for the financial period</b>	<b>(7,958)</b>	<b>125,081</b>	<b>-</b>	<b>-</b>	<b>117,123</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**8 . INSURANCE FUNDS (CONT'D)**

**UNAUDITED CONDENSED INCOME STATEMENT BY FUND  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	1,015,663	370,769	-	1,386,432
Premiums ceded to reinsurers	-	(51,318)	-	-	(51,318)
<b>Net earned premiums</b>	-	964,345	370,769	-	1,335,114
Investment income	18,321	360,627	65,532	-	444,480
Realised (losses)/gains	(652)	10,928	3,720	-	13,996
Fair value gains/(losses)	303	164,267	(35,038)	-	129,532
Fees and commission income	-	12,926	-	(12,856)	70
Other operating income-net	1,270	12,746	(12,817)	-	1,199
<b>Other revenue</b>	19,242	561,494	21,397	(12,856)	589,277
Gross benefits and claims paid	-	(809,614)	(119,483)	-	(929,097)
Claims ceded to reinsurers	-	64,872	-	-	64,872
Gross change to contract liabilities	-	(394,010)	(265,647)	-	(659,657)
Change in contract liabilities ceded to reinsurers	-	(1,686)	-	-	(1,686)
<b>Net claims</b>	-	(1,140,438)	(385,130)	-	(1,525,568)
Fees and commission expense	855	(177,781)	(8,156)	12,856	(172,226)
Management expenses	(4,065)	(83,529)	1	-	(87,593)
<b>Other expenses</b>	(3,210)	(261,310)	(8,155)	12,856	(259,819)
Finance costs	(11,431)	-	-	-	(11,431)
<b>Profit/(loss) before taxation</b>	4,601	124,091	(1,119)	-	127,573
Taxation	(16,387)	(38,784)	1,119	-	(54,052)
<b>Net (loss)/profit for the financial period</b>	(11,786)	85,307	-	-	73,521

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**9 . 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 period:

	<b>31.12.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Statement of financial position</u></b>		
<b>Assets</b>		
Financial assets - FVTPL financial assets/total assets	4,732	3,759
Other receivables	14	12
Cash and cash equivalents	2	2
Total assets	<u>4,748</u>	<u>3,773</u>
<b>Liabilities</b>		
Deferred tax liabilities	56	(15)
Tax payables	2	(2)
Total liabilities	<u>58</u>	<u>(17)</u>
<b>Net asset value</b>	<u>4,690</u>	<u>3,790</u>
	<b>6 months ended</b>	<b>6 months ended</b>
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Statement of comprehensive income</u></b>		
Net earned premiums	<u>61</u>	<u>57</u>
Realised gains/(losses)	33	(4)
Fair value gains	879	4
<b>Other revenue</b>	<u>912</u>	<u>-</u>
Gross change to contract liabilities	<u>(900)</u>	<u>(57)</u>
<b>Net claims</b>	<u>(900)</u>	<u>(57)</u>
Loss before taxation	73	-
Taxation	(73)	-
<b>Net profit for the financial period</b>	<u>-</u>	<u>-</u>

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

### **10 . ITEMS OF AN UNUSUAL NATURE**

The results of the Company for the financial period under review were not substantially affected by any item, transaction or event of a material and unusual nature.

### **11 . CHANGES IN ESTIMATE**

There were no material changes in the basis used for accounting estimates for the financial period under review.

### **12 . SEASONAL OR CYCLICAL FACTORS**

The operations of the Company for the financial period under review were not significantly affected by seasonality or cyclical factors.

### **13 . CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no material contingent liabilities or assets as at the date of this report.

### **14 . DEBTS AND EQUITY SECURITIES**

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the financial period under review.

### **15 . DIVIDEND**

During the half-year ended 31 December 2020, the Directors have not recommended any dividend to be paid for the period under review.

### **16 . CHANGES IN THE COMPOSITON OF THE COMPANY**

There were no changes in the composition of the Company during the financial period under review.

**HONG LEONG ASSURANCE BERHAD**  
Registration No. 198201014849 (94613-X)  
(Incorporated in Malaysia)

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

### **17 . RELATED PARTY TRANSACTIONS**

All related party transactions are entered into the normal course of business and were carried out on normal commercial terms.

### **18 . SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD**

On 28 December 2020, the Company issued subordinated notes of RM150.0 million nominal value with a tenure of 5 years and RM150.0 million nominal value with a tenure of 8 years at coupon rate of 3.45% and 3.70% respectively under its Subordinated Notes Programme of up to RM2.0 billion in nominal value. The subordinated notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

### **19 . SUBSEQUENT EVENTS**

There were no material events subsequent to the end of the financial period under review that have not been reported in the Report.