

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

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HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Note	31.12.2015 RM'000	30.6.2015 RM'000
Assets			
Property, plant and equipment		87,154	88,130
Intangible assets		4,194	5,284
Investment properties	3	480,442	480,442
Financial assets	4	12,076,725	10,797,694
- Held-to-maturity financial assets	4	611,561	611,502
- Available-for-sale financial assets	4	8,693,678	8,192,985
- Fair value through profit or loss financial assets	4	1,343,116	1,144,080
- Loans and receivables	4	1,428,370	849,127
Derivative assets		108	456
Reinsurance assets	6	44,077	45,233
Insurance receivables		119,856	132,744
Other receivables		29,832	67,737
Non-current assets held-for-sale		60	60
Cash and cash equivalents		971,825	1,675,415
Total assets		13,814,273	13,293,195
Equity, policyholders' fund and liabilities			
Share capital		200,000	200,000
Reserves		1,207,034	1,128,492
Total equity		1,407,034	1,328,492
Insurance contract liabilities	7	9,817,468	9,462,280
Deferred tax liabilities		188,923	191,917
Tax payables		2,746	11,584
Insurance payables		1,722,438	1,576,722
Other payables		137,237	191,767
Derivative liabilities		31,135	23,538
Subordinated notes		507,292	506,895
Total policyholders' fund and liabilities		12,407,239	11,964,703
Total equity, policyholders' fund and liabilities		13,814,273	13,293,195

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

HONG LEONG ASSURANCE BERHAD

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**UNAUDITED CONDENSED STATEMENT OF INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

	6 months ended 31.12.2015 RM'000	6 months ended 31.12.2014 RM'000
Gross earned premiums	1,296,721	1,236,382
Premiums ceded to reinsurers	(39,756)	(35,769)
Net earned premiums	1,256,965	1,200,613
Investment income	288,091	262,649
Realised (losses)/gains	(56,475)	19,755
Fair value gains/(losses)	3,601	(106,546)
Fees and commission income	1,181	-
Other operating income-net	-	38,138
Other revenue	236,398	213,996
Gross benefits and claims paid	(690,982)	(512,302)
Claims ceded to reinsurers	29,551	29,618
Gross change to contract liabilities	(424,416)	(557,258)
Change in contract liabilities ceded to reinsurers	(21)	128
Net benefits and claims	(1,085,868)	(1,039,814)
Fees and commission expense	(189,208)	(182,887)
Management expenses	(67,823)	(61,170)
Other operating expenses-net	(14,400)	-
Other expenses	(271,431)	(244,057)
Finance cost	(11,431)	(11,431)
Surplus before taxation	124,633	119,307
Tax expense attributable to participating fund and unitholders	(15,044)	(9,359)
Profit before taxation attributable to shareholders	109,589	109,948
Taxation	(28,133)	(31,054)
Tax expense attributable to participating fund and unitholders	15,044	9,359
Taxation attributable to shareholders	(13,089)	(21,695)
Net profit for the financial period	96,500	88,253
Earnings per share (sen)	48.25	44.13

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

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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

	6 months ended 31.12.2015 RM'000	6 months ended 31.12.2014 RM'000
Net profit for the financial period	96,500	88,253
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 losses arising during the financial period	(97,060)	(74,555)
Gross fair value gains transferred to income statement	(3,859)	(16,186)
	<u>(100,919)</u>	<u>(90,741)</u>
Tax effects thereon	12,582	12,430
Net fair value losses	(88,337)	(78,311)
Change in insurance contract liabilities arising from net fair value gains	70,379	52,008
	<u>(17,958)</u>	<u>(26,303)</u>
Total comprehensive income for the financial period	<u><u>78,542</u></u>	<u><u>61,950</u></u>

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

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

	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 2014	200,000	200,000	96,931	561,046	379,871	1,237,848
Net profit for the financial period	-	-	-	77,096	11,157	88,253
Other comprehensive income for the financial period	-	-	(26,303)	-	-	(26,303)
At 31 December 2014	<u>200,000</u>	<u>200,000</u>	<u>70,628</u>	<u>638,142</u>	<u>391,028</u>	<u>1,299,798</u>
At 1 July 2015	200,000	200,000	71,424	685,113	371,955	1,328,492
Net profit for the financial period	-	-	-	104,820	(8,320)	96,500
Other comprehensive income for the financial period	-	-	(17,958)	-	-	(17,958)
At 31 December 2015	<u>200,000</u>	<u>200,000</u>	<u>53,466</u>	<u>789,933</u>	<u>363,635</u>	<u>1,407,034</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

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

	6 months ended 31.12.2015 RM'000	6 months ended 31.12.2014 RM'000
Operating activities		
Net profit for the financial period	96,500	88,253
Adjustments for:		
Investment income recorded in income statement	(288,091)	(262,649)
Realised losses/(gains) recorded in income statement	83,439	(16,231)
Fair value (gains)/losses recorded in income statement	(3,601)	106,546
Foreign exchange gains	(38,961)	(37,867)
Proceeds from sale of fair value through profit or loss financial assets	247,343	165,147
Maturity of fair value through profit or loss financial assets	13,706	36,002
Purchase of fair value through profit or loss financial assets	(476,782)	(336,287)
Proceeds from sale of available-for-sale financial assets	542,626	461,580
Maturity of available-for-sale financial assets	162,450	283,454
Purchase of available-for-sale financial assets	(1,312,655)	(1,584,621)
Purchase of derivatives	(58,193)	(17,961)
Increase in loan and receivables	(577,047)	(489,454)
Finance costs	11,431	11,431
	<u>(1,694,335)</u>	<u>(1,680,910)</u>
Non-cash items:		
Depreciation of property, plant and equipment	2,486	2,516
Gains on disposal of property, plant and equipment	-	(73)
Amortisation of intangible assets	1,140	869
Impairment on available-for-sale financial assets	56,380	-
Tax expense	28,133	31,054
	<u>88,139</u>	<u>34,366</u>

HONG LEONG ASSURANCE BERHAD

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2015 (CONT'D)**

	6 months ended 31.12.2015 RM'000	6 months ended 31.12.2014 RM'000
Changes in working capital:		
Decrease/(increase) in reinsurance assets	1,156	(26,635)
Decrease in insurance receivables	12,888	11,817
Decrease in other receivables	38,497	22,089
Increase in insurance contract liabilities	425,567	562,445
Increase in insurance payables	145,716	134,128
Decrease in other payables	(54,530)	(49,637)
	<u>569,294</u>	<u>654,207</u>
Cash used in operating activities	(940,402)	(904,084)
Dividend income received	44,646	49,467
Interest income received	224,187	193,622
Rental income received	9,863	8,312
Income taxes paid	(26,594)	(21,168)
Net cash outflow from operating activities	<u>(688,300)</u>	<u>(673,851)</u>
Investing activities		
Proceeds from sale of property, plant and equipment	-	73
Purchase of property, plant and equipment	(1,510)	(2,678)
Purchase of intangible assets	(50)	(624)
Net cash outflow from investing activities	<u>(1,560)</u>	<u>(3,229)</u>
Financing activities		
Interest paid on subordinated notes	(11,034)	(11,157)
Net cash outflow from financing activities	<u>(11,034)</u>	<u>(11,157)</u>
Effect of exchange rate changes on cash and cash equivalents	(2,696)	(10)
Net decrease in cash and cash equivalents	(703,590)	(688,247)
Cash and cash equivalents at beginning of the financial period	1,675,415	1,676,061
Cash and cash equivalents at end of the financial period	<u><u>971,825</u></u>	<u><u>987,814</u></u>

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2015 (CONT'D)**

	6 months ended 31.12.2015 RM'000	6 months ended 31.12.2014 RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	58,766	49,554
Fixed and call deposits with maturity of less than 3 months		
- Licensed financial institutions	913,059	938,260
	<u>971,825</u>	<u>987,814</u>

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**1 . BASIS OF PREPARATION**

The condensed interim financial statements for the six months ended 31 December 2015 of Hong Leong Assurance Berhad (“the Company”) are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting and should be read in conjunction with the Company’s audited financial statements for the financial year ended 30 June 2015, which were prepared in accordance with the Malaysian Financial Reporting Standards.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 30 June 2015.

HONG LEONG ASSURANCE BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**3 . INVESTMENT PROPERTIES**

	31.12.2015	30.6.2015
	RM'000	RM'000
As at beginning of the financial period/year	480,442	241,760
Additions	-	226,594
Fair value gain	-	12,088
As at end of the financial period/year	<u>480,442</u>	<u>480,442</u>
The analysis of investment properties is as follows:		
Freehold land and building	478,594	478,594
Leasehold land and building	1,848	1,848
	<u>480,442</u>	<u>480,442</u>

The fair values of the investment properties as at 30 June 2015 were revalued by an independent professional valuer, Rahim & Co. 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 UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**4 . FINANCIAL ASSETS**

	31.12.2015	30.6.2015
	RM'000	RM'000
Malaysian Government Securities and other Government guaranteed assets	1,966,636	1,613,833
Debt securities	5,890,840	5,724,838
Equity securities	2,041,176	2,029,142
Unit and property trust funds	570,265	425,669
Structured investments	-	2,986
Loans	629,920	661,576
Deposits with financial institutions	977,888	339,650
	<u>12,076,725</u>	<u>10,797,694</u>

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

Held-to-maturity financial assets ("HTM")	611,561	611,502
Available-for-sale financial assets ("AFS")	8,693,678	8,192,985
Fair value through profit and loss financial assets ("FVTPL")	1,343,116	1,144,080
Loans and receivables ("LAR")	1,428,370	849,127
	<u>12,076,725</u>	<u>10,797,694</u>

The following investments mature within 12 months:

AFS financial assets	780,677	701,676
FVTPL financial assets	18,020	25,885
Loans and receivables	1,428,370	849,127
	<u>2,227,067</u>	<u>1,576,688</u>

The following investments mature after 12 months:

HTM financial assets	611,561	611,502
AFS financial assets	7,913,001	7,491,309
FVTPL financial assets	1,325,096	1,118,195
	<u>9,849,658</u>	<u>9,221,006</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**4 . FINANCIAL ASSETS (CONT'D)****(a) HTM**

	31.12.2015	30.6.2015
	RM'000	RM'000
At amortised cost:		
Debt securities		
- Unquoted in Malaysia	611,561	611,502
	<u>611,561</u>	<u>611,502</u>
At fair value:		
Debt securities		
- Unquoted in Malaysia	619,176	628,749
	<u>619,176</u>	<u>628,749</u>

(b) AFS

	31.12.2015	30.6.2015
	RM'000	RM'000
At fair value:		
Malaysian Government Securities and other Government guaranteed assets	1,853,181	1,562,529
Debt securities		
- Unquoted in Malaysia	4,715,488	4,610,918
- Unquoted outside Malaysia	317,551	318,964
Equity securities		
- Quoted in Malaysia *	1,297,965	1,229,168
- Unquoted in Malaysia	2,147	2,147
- Quoted outside Malaysia	154,256	228,611
Unit trusts		
- Quoted in Malaysia	127,742	128,732
- Quoted outside Malaysia	26,010	16,876
- Unquoted in Malaysia	199,338	95,040
	<u>8,693,678</u>	<u>8,192,985</u>

* Includes Hong Leong Financial Group Berhad ("HLFG") ordinary shares held by AmTrustee Berhad for the ESOS scheme by HLFG.

There is no new option granted during the financial period ended 31.12.2015 and 30.6.2015.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**4 . FINANCIAL ASSETS (CONT'D)****(c) FVTPL**

	31.12.2015	30.6.2015
	RM'000	RM'000
At fair value:		
Malaysian Government Securities and other Government guaranteed assets	113,455	51,304
Debt securities		
- Unquoted in Malaysia	246,240	180,308
- Unquoted outside Malaysia	-	3,146
Equity securities		
- Quoted in Malaysia	519,431	491,165
- Quoted outside Malaysia	67,377	78,051
Unit trusts		
- Quoted in Malaysia	14,479	14,772
- Quoted outside Malaysia	3,393	2,411
- Unquoted in Malaysia	199,303	167,838
Structured investments		
- Unquoted in Malaysia	-	2,986
Fixed and call deposits		
- Licensed financial institutions	179,438	152,099
	<u>1,343,116</u>	<u>1,144,080</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

4 . FINANCIAL ASSETS (CONT'D)

(d) LAR

	31.12.2015	30.6.2015
	RM'000	RM'000
At cost:		
Fixed and call deposits		
- Licensed financial institutions	798,450	187,551
Policy loans	31,461	30,979
Premium loans	598,459	630,597
	<u>1,428,370</u>	<u>849,127</u>
	<u><u>1,428,370</u></u>	<u><u>849,127</u></u>
At fair value:		
Fixed and call deposits		
- Licensed financial institutions	798,450	187,551
Policy loans	31,461	30,979
Premium loans	598,459	630,597
	<u>1,428,370</u>	<u>849,127</u>
	<u><u>1,428,370</u></u>	<u><u>849,127</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

5 . 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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

5. FAIR VALUE HIERARCHY (CONT'D)

	Financial assets		
	AFS	FVTPL	Total
	RM'000	RM'000	RM'000
31.12.2015			
<u>Recurring fair value measurements</u>			
Level 1	1,605,973	604,680	2,210,653
Level 2	7,085,558	738,436	7,823,994
Level 3	2,147	-	2,147
	<u>8,693,678</u>	<u>1,343,116</u>	<u>10,036,794</u>

30.6.2015			
<u>Recurring fair value measurements</u>			
Level 1	1,603,387	586,399	2,189,786
Level 2	6,587,451	557,681	7,145,132
Level 3	2,147	-	2,147
	<u>8,192,985</u>	<u>1,144,080</u>	<u>9,337,065</u>

	Derivatives assets	Derivatives liabilities
	RM'000	RM'000
31.12.2015		
<u>Recurring fair value measurements</u>		
Level 2	<u>108</u>	<u>31,135</u>

30.6.2015		
<u>Recurring fair value measurements</u>		
Level 2	<u>456</u>	<u>23,538</u>

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**6. REINSURANCE ASSETS**

	31.12.2015	30.6.2015
	RM'000	RM'000
Reinsurance of insurance contracts	44,077	45,233

7. INSURANCE CONTRACT LIABILITIES

	Gross		Reinsurance		Net	
	31.12.2015	30.6.2015	31.12.2015	30.6.2015	31.12.2015	30.6.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for outstanding claims	102,952	101,801	(20,681)	(21,817)	82,271	79,984
Actuarial liabilities	7,930,844	7,807,240	(23,396)	(23,416)	7,907,448	7,783,824
Unallocated surplus	372,460	153,788	-	-	372,460	153,788
Fair value adjustment on AFS financial assets	132,785	203,164	-	-	132,785	203,164
Net asset value attributable to unitholders (Note 11)	1,278,427	1,196,287	-	-	1,278,427	1,196,287
Life insurance contract liabilities	9,817,468	9,462,280	(44,077)	(45,233)	9,773,391	9,417,047

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**7. 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 2014	6,633,687	1,727,087	8,360,774	(6,335)	(31,011)	(37,346)	8,323,428
Projected change for inforce policies at 30 June 2014	783,828	27,617	811,445	-	1,166	1,166	812,611
Experience variance	114,204	16,638	130,842	-	37	37	130,879
New business	72,300	28,269	100,569	-	(2,496)	(2,496)	98,073
Discount rate change	181,019	11,565	192,584	-	(135)	(135)	192,449
Adjustment due to changes in assumptions:	-	-	-	-	-	-	-
Mortality and morbidity	-	2,148	2,148	-	(521)	(521)	1,627
Lapse rate	38,510	(26,068)	12,442	-	13	13	12,455
Policy expenses and inflation	(815)	(3,347)	(4,162)	-	-	-	(4,162)
Other assumptions	1,843	3,812	5,655	-	(11,231)	(11,231)	(5,576)
Other changes	(69,245)	(33,621)	(102,866)	-	-	-	(102,866)
Change in provision for outstanding claims	10,887	3,594	14,481	(2,159)	7,439	5,280	19,761
Change in net asset value attributable to unitholders	-	164,044	164,044	-	-	-	164,044
Change in AFS fair value reserves	(10,526)	-	(10,526)	-	-	-	(10,526)
Change in unallocated surplus	(215,150)	-	(215,150)	-	-	-	(215,150)
At 30 June 2015	<u>7,540,542</u>	<u>1,921,738</u>	<u>9,462,280</u>	<u>(8,494)</u>	<u>(36,739)</u>	<u>(45,233)</u>	<u>9,417,047</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**7. 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 2015	7,540,542	1,921,738	9,462,280	(8,494)	(36,739)	(45,233)	9,417,047
Projected change for inforce policies at 30 June 2015	314,451	23,231	337,682	-	553	553	338,235
Experience variance	22,425	2,338	24,763	-	36	36	24,799
New business	41,392	10,003	51,395	-	(1,032)	(1,032)	50,363
Discount rate change	(20,677)	(50,926)	(71,603)	-	463	463	(71,140)
Adjustment due to changes in assumptions:							
Other assumptions	(217,190)	(871)	(218,061)	-	-	-	(218,061)
Other changes	(105)	(467)	(572)	-	-	-	(572)
Change in provision for outstanding claims	(3,477)	4,628	1,151	(448)	1,584	1,136	2,287
Change in net asset value attributable to unitholders	-	82,140	82,140	-	-	-	82,140
Change in AFS fair value reserves	(70,379)	-	(70,379)	-	-	-	(70,379)
Change in unallocated surplus	218,672	-	218,672	-	-	-	218,672
At 31 December 2015	<u>7,825,654</u>	<u>1,991,814</u>	<u>9,817,468</u>	<u>(8,942)</u>	<u>(35,135)</u>	<u>(44,077)</u>	<u>9,773,391</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**8 . 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 RBC Framework is provided below:

	31.12.2015	30.6.2015
	RM'000	RM'000
Eligible Tier 1 capital		
- Share capital (paid up)	200,000	200,000
- Reserves, including retained earnings	3,480,505	3,150,366
Eligible Tier 2 capital		
- Eligible reserves	692,057	783,179
	<u>4,372,562</u>	<u>4,133,545</u>

The Company has met the minimum capital requirements specified in the RBC Framework for the financial period ended 31.12.2015 and 30.6.2015.

9 . CAPITAL COMMITMENTS

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

	31.12.2015	30.6.2015
	RM'000	RM'000
Authorised and contracted for:		
- Property, plant and equipment	44	44
- Intangible assets	158	369
	<u>202</u>	<u>413</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**10 . DIRECTORS' REMUNERATION**

	6 months ended 31.12.2015 RM'000	6 months ended 31.12.2014 RM'000
Chief Executive Officer/executive director:		
Loh Guat Lan:		
-Wages, salaries and bonuses	630	630
-Defined contribution retirement plan	101	101
-Other employee benefits	11	18
	<hr/> 742	<hr/> 749
Non-executive directors:		
YBhg Tan Sri Quek Leng Chan (Chairman)	-	-
YBhg Dato' Chua Chuan Lim @ Chua Chuan Teong	63	62
Mr Choong Yee How	-	-
Mr Quek Kon Sean	-	-
Mr Alan John Wilson (Resigned w.e.f 1 July 2015)	-	-
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	65	62
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	63	60
YBhg Datin Ngiam Pick Ngoh	42	38
Mr Masakatsu Komaita	-	-
	<hr/> <hr/> 974	<hr/> <hr/> 972

The remuneration, including benefits-in-kind, attributable to the Company's Chief Executive Officer, during the financial period ended 31 December 2015 amounted to RM757,862 (2014: RM768,504).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**11 . 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 the 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 2015**

	<u>SHF</u>	<u>LF</u>	<u>ILF</u>	<u>Inter-fund elimination</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	2,050	85,104	-	-	87,154
Intangible assets	-	4,194	-	-	4,194
Investment properties	226,594	253,848	-	-	480,442
Financial assets	808,627	10,106,847	1,161,251	-	12,076,725
- HTM financial assets	-	611,561	-	-	611,561
- AFS financial assets	808,594	7,885,084	-	-	8,693,678
- HFT financial assets	-	191,870	1,151,246	-	1,343,116
- Loans and receivables	33	1,418,332	10,005	-	1,428,370
Derivative assets	-	108	-	-	108
Reinsurance assets	-	44,077	-	-	44,077
Insurance receivables	-	119,856	-	-	119,856
Other receivables	1,003,611	12,185	980	(986,944)	29,832
Non-current assets held-for-sale	60	-	-	-	60
Cash and cash equivalents	48,449	802,230	121,146	-	971,825
Total assets	<u>2,089,391</u>	<u>11,428,449</u>	<u>1,283,377</u>	<u>(986,944)</u>	<u>13,814,273</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**11 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2015 (CONT'D)**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Equity, policyholders' fund and liabilities					
Share capital	200,000	-	-	-	200,000
Reserves	1,207,034	-	-	-	1,207,034
Total equity	1,407,034	-	-	-	1,407,034
Insurance contract liabilities	-	8,539,041	1,278,427	-	9,817,468
Deferred tax liabilities	168,136	15,430	5,357	-	188,923
Tax payables	(2,164)	6,811	(1,901)	-	2,746
Insurance payables	-	1,722,438	-	-	1,722,438
Other payables	8,956	1,114,151	1,074	(986,944)	137,237
Derivative liabilities	137	30,578	420	-	31,135
Subordinated notes	507,292	-	-	-	507,292
Total policyholders' fund and liabilities	682,357	11,428,449	1,283,377	(986,944)	12,407,239
Total equity, policyholders' fund and liabilities	2,089,391	11,428,449	1,283,377	(986,944)	13,814,273

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**11 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 30 JUNE 2015**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	2,072	86,058	-	-	88,130
Intangible assets	-	5,284	-	-	5,284
Investment properties	226,594	253,848	-	-	480,442
Financial assets	735,201	8,990,747	1,071,746	-	10,797,694
- HTM financial assets	-	611,502	-	-	611,502
- AFS financial assets	735,169	7,457,816	-	-	8,192,985
- HFT financial assets	-	72,334	1,071,746	-	1,144,080
- Loans and receivables	32	849,095	-	-	849,127
Derivative assets	-	-	456	-	456
Reinsurance assets	-	45,233	-	-	45,233
Insurance receivables	-	132,744	-	-	132,744
Other receivables	1,013,765	26,204	4,172	(976,404)	67,737
Non-current assets held-for-sale	60	-	-	-	60
Cash and cash equivalents	34,800	1,508,859	131,756	-	1,675,415
Total assets	2,012,492	11,048,977	1,208,130	(976,404)	13,293,195

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**11 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 30 JUNE 2015 (CONT'D)**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Equity, policyholders' fund and liabilities					
Share capital	200,000	-	-	-	200,000
Reserves	1,128,492	-	-	-	1,128,492
Total equity	1,328,492	-	-	-	1,328,492
Insurance contract liabilities	-	8,265,993	1,196,287	-	9,462,280
Deferred tax liabilities	165,208	22,425	4,284	-	191,917
Tax payables	5,624	6,853	(893)	-	11,584
Insurance payables	-	1,576,722	-	-	1,576,722
Other payables	5,991	1,154,813	7,367	(976,404)	191,767
Derivative liabilities	282	22,171	1,085	-	23,538
Subordinated notes	506,895	-	-	-	506,895
Total policyholders' fund and liabilities	684,000	11,048,977	1,208,130	(976,404)	11,964,703
Total equity, policyholders' fund and liabilities	2,012,492	11,048,977	1,208,130	(976,404)	13,293,195

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**11 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	1,140,927	155,794	-	1,296,721
Premiums ceded to reinsurers	-	(39,756)	-	-	(39,756)
Net earned premiums	-	1,101,171	155,794	-	1,256,965
Investment income	18,403	253,764	15,924	-	288,091
Realised gains/(losses)	512	(27,122)	(29,865)	-	(56,475)
Fair value gains/(losses)	145	(11,207)	14,663	-	3,601
Fees and commission income	-	8,865	-	(7,684)	1,181
Other revenue	19,060	224,300	722	(7,684)	236,398
Gross benefits and claims paid	-	(627,716)	(63,266)	-	(690,982)
Claims ceded to reinsurers	-	29,551	-	-	29,551
Gross change to contract liabilities	-	(342,276)	(82,140)	-	(424,416)
Change in contract liabilities ceded to reinsurers	-	(21)	-	-	(21)
Net claims	-	(940,462)	(145,406)	-	(1,085,868)
Fees and commission expense	(115)	(191,280)	(5,497)	7,684	(189,208)
Management expenses	(71)	(65,751)	(2,001)	-	(67,823)
Other operating expenses-net	(16,315)	3,701	(1,786)	-	(14,400)
Other expenses	(16,501)	(253,330)	(9,284)	7,684	(271,431)
Finance costs	(11,431)	-	-	-	(11,431)
(Loss)/profit before taxation	(8,872)	131,679	1,826	-	124,633
Taxation	(10,850)	(15,457)	(1,826)	-	(28,133)
Net (loss)/profit for the financial period	(19,722)	116,222	-	-	96,500

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**11 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	1,078,384	157,998	-	1,236,382
Premiums ceded to reinsurers	-	(35,769)	-	-	(35,769)
Net earned premiums	-	1,042,615	157,998	-	1,200,613
Investment income	25,684	221,916	15,049	-	262,649
Realised (losses)/gains	(2,553)	6,119	16,189	-	19,755
Fair value losses	(534)	(14,028)	(91,984)	-	(106,546)
Fees and commission income	-	6,786	-	(6,786)	-
Other operating income-net	1,934	36,040	164	-	38,138
Other revenue	24,531	256,833	(60,582)	(6,786)	213,996
Gross benefits and claims paid	-	(466,346)	(45,956)	-	(512,302)
Claims ceded to reinsurers	-	29,618	-	-	29,618
Gross change to contract liabilities	-	(506,054)	(51,204)	-	(557,258)
Change in contract liabilities ceded to reinsurers	-	128	-	-	128
Net claims	-	(942,654)	(97,160)	-	(1,039,814)
Fees and commission expense	(201)	(183,771)	(5,701)	6,786	(182,887)
Management expenses	(130)	(61,040)	-	-	(61,170)
Other expenses	(331)	(244,811)	(5,701)	6,786	(244,057)
Finance costs	(11,431)	-	-	-	(11,431)
Profit/(loss) before taxation	12,769	111,983	(5,445)	-	119,307
Taxation	(18,536)	(17,963)	5,445	-	(31,054)
Net (loss)/profit for the financial period	(5,767)	94,020	-	-	88,253

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**12 . 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:

	31.12.2015	30.6.2015
	RM'000	RM'000
<u>Statement of financial position</u>		
Assets		
Financial assets - FVTPL financial assets/ total assets	4,121	4,391
Liabilities		
Deferred tax liabilities	(14)	(23)
Tax payables	(8)	(5)
Other payables	-	90
Total liabilities	(22)	62
Net asset value	4,143	4,329
	6 months	6 months
	ended	ended
	31.12.2015	31.12.2014
	RM'000	RM'000
<u>Statement of comprehensive income</u>		
Realised losses	(43)	(23)
Fair value gains/(losses)	107	(511)
Other revenue	64	(534)
Gross benefits and claims paid	(245)	(29)
Gross change to contract liabilities	186	520
Net claims	(59)	491
Profit/(loss) before taxation	5	(43)
Taxation	(5)	43
Net profit for the financial period	-	-

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

13 . 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.

14 . CHANGES IN ESTIMATE

There were no material changes in the basis used for accounting estimates for the financial period ended 31 December 2015.

15 . SEASONAL OR CYCLICAL FACTORS

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

16 . CHANGES IN CONTIGENT LIABILITIES

There were no material contingent liabilities as at the date of the Report.

17 . DEBTS AND EQUITY SECURITIES

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the financial period ended 31 December 2015.

18 . 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.