

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 31 DECEMBER 2013**

**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)

**STATEMENT BY OFFICER**

I, Tang Loon Khoon, being the officer primarily responsible for the financial management of **HONG LEONG ASSURANCE BERHAD**, state that to the best of my knowledge and belief, the financial statements set out on pages 2 to 26 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting.



.....  
Tang Loon Khoon

Petaling Jaya  
6 February 2014

**HONG LEONG ASSURANCE BERHAD**

(Company No.94613-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

	Note	31.12.2013 RM'000	30.6.2013 RM'000
<b>Assets</b>			
Property, plant and equipment		89,396	89,765
Intangible assets		3,309	3,808
Investment properties		231,680	231,680
Financial assets	3	8,711,577	8,311,774
- Held-to-maturity financial assets	3(a)	576,321	401,747
- Available-for-sale financial assets	3(b)	6,588,631	5,935,357
- Fair value through profit or loss financial assets	3(c)	801,401	726,709
- Loans and receivables	3(d)	745,224	1,247,961
Derivative assets		1,706	554
Reinsurance assets	5	77,835	50,546
Insurance receivables		91,314	90,380
Other receivables		31,562	34,434
Non-current assets held-for-sale		60	60
Cash and cash equivalents		1,572,050	1,330,745
<b>Total assets</b>		<b>10,810,489</b>	<b>10,143,746</b>
<b>Equity, policyholders' fund and liabilities</b>			
Share capital		200,000	200,000
Reserves		938,420	906,572
<b>Total equity</b>		<b>1,138,420</b>	<b>1,106,572</b>
Insurance contract liabilities	6	7,717,529	7,190,025
Deferred tax liabilities		173,292	147,483
Tax payables		11,951	12,588
Insurance payables		1,151,919	1,017,486
Other payables		95,608	147,667
Derivative liabilities		14,783	15,160
Subordinated notes		506,987	506,765
<b>Total policyholders' fund and liabilities</b>		<b>9,672,069</b>	<b>9,037,174</b>
<b>Total equity, policyholders' fund and liabilities</b>		<b>10,810,489</b>	<b>10,143,746</b>

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

**HONG LEONG ASSURANCE BERHAD**

(Company No.94613-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF INCOME  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013**

	<b>6 months ended 31.12.2013 RM'000</b>	<b>6 months ended 31.12.2012 RM'000</b>
Gross earned premiums	1,108,563	944,606
Premiums ceded to reinsurers	(33,120)	(28,062)
<b>Net earned premiums</b>	<b>1,075,443</b>	<b>916,544</b>
Investment income	224,452	186,451
Realised gains	35,355	63,955
Fair value gains/(losses)	18,294	(5,596)
Fees and commission income	1,294	372
Other operating income-net	246	467
<b>Other revenue</b>	<b>279,641</b>	<b>245,649</b>
Gross benefits and claims paid	(466,114)	(403,922)
Claims ceded to reinsurers	40,613	22,875
Gross change to contract liabilities	(531,880)	(479,460)
Change in contract liabilities ceded to reinsurers	(95)	44
<b>Net benefits and claims</b>	<b>(957,476)</b>	<b>(860,463)</b>
Fees and commission expense	(179,733)	(165,565)
Management expenses	(52,494)	(50,365)
<b>Other expenses</b>	<b>(232,227)</b>	<b>(215,930)</b>
Finance cost	(11,431)	-
<b>Surplus before taxation</b>	<b>153,950</b>	<b>85,800</b>
Taxation of life insurance	(14,278)	(16,015)
<b>Profit before taxation</b>	<b>139,672</b>	<b>69,785</b>
Taxation	(26,301)	(12,690)
<b>Net profit for the financial period</b>	<b>113,371</b>	<b>57,095</b>
<b>Earnings per share (sen)</b>	<b>56.69</b>	<b>28.55</b>

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

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**UNAUDITED CONDENSED STATEMENT OF INCOME  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013**

	<b>6 months ended 31.12.2013 RM'000</b>	<b>6 months ended 31.12.2012 RM'000</b>
<b>Net profit for the financial period</b>	113,371	57,095
<b>Other comprehensive income</b>		
Fair value changes on available-for-sale financial assets, net of deferred tax:		
Gross fair value gains arising during the financial period	43,264	103,589
Gross fair value gains transferred to income statement	(45,314)	(40,559)
	<u>(2,050)</u>	<u>63,030</u>
Tax effects thereon	(1,008)	(7,352)
	<u>(3,058)</u>	<u>55,678</u>
Net fair value (losses)/gains		
Change in insurance contract liabilities arising from net fair value gains/(losses)	7,785	(43,756)
	<u>4,727</u>	<u>11,922</u>
<b>Total comprehensive income for the period</b>	<u><u>118,098</u></u>	<u><u>69,017</u></u>

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013**

	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	Total
	No. of shares '000	Share capital RM'000	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
Total comprehensive income for the financial period	-	-	11,922	43,860	13,235	69,017
At 31 December 2012	<u>200,000</u>	<u>200,000</u>	<u>81,603</u>	<u>451,298</u>	<u>362,813</u>	<u>1,095,714</u>
At 1 July 2013	200,000	200,000	99,070	430,818	376,684	1,106,572
Total comprehensive income for the financial period	-	-	4,727	104,135	9,236	118,098
Dividend paid during the financial period	-	-	-	-	(86,250)	(86,250)
At 31 December 2013	<u>200,000</u>	<u>200,000</u>	<u>103,797</u>	<u>534,953</u>	<u>299,670</u>	<u>1,138,420</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 PERIOD ENDED 31 DECEMBER 2013**

	<b>6 months ended 31.12.2013 RM'000</b>	<b>6 months ended 31.12.2012 RM'000</b>
<b>Operating activities</b>		
Net profit for the financial period	113,371	57,095
Adjustments for:		
Investment income recorded in income statement	(205,043)	(185,703)
Realised gains recorded in income statement	(45,314)	(40,395)
Fair value gains recorded in income statement	(7,494)	(13,103)
Foreign exchange (gains)/losses	(28,415)	34,852
Proceeds from sale of fair value through profit or loss financial assets	146,629	62,425
Maturity of fair value through profit or loss financial assets	9,085	5,034
Purchase of fair value through profit or loss financial assets	(207,148)	(116,937)
Proceeds from sale of available-for-sale financial assets	576,706	538,184
Maturity of available-for-sale financial assets	162,489	243,480
Purchase of available-for-sale financial assets	(1,348,937)	(1,097,703)
Proceeds from sale of held-to-maturity financial assets	25,426	-
Maturity of held-to-maturity financial assets	-	20,000
Purchase of held-to-maturity financial assets	(200,000)	-
Proceeds from realisation/(purchase) of derivatives	13,594	(21,909)
Decrease/(increase) in loan and receivables	481,084	(206,169)
Finance costs	11,431	-
	<u>(615,907)</u>	<u>(777,944)</u>
<b>Non-cash items:</b>		
Depreciation of property, plant and equipment	2,469	2,624
Amortisation of intangible assets	643	643
Impairment on available-for-sale financial assets	3,700	-
Tax expense	40,579	28,705
	<u>47,391</u>	<u>31,972</u>



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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013 (CONT'D)**

	<b>6 months ended 31.12.2013 RM'000</b>	<b>6 months ended 31.12.2012 RM'000</b>
<b>Changes in working capital:</b>		
Increase in reinsurance assets	(27,289)	(38)
Increase in insurance receivables	(934)	(3,330)
Increase in other receivables	(6,069)	(6,097)
Increase in insurance contract liabilities	527,504	467,832
Increase/(decrease) in insurance payables	134,433	(3,382)
(Decrease)/increase in other payables	(52,059)	29,008
	<u>575,586</u>	<u>483,993</u>
Cash generated from/(used in) operating activities	120,441	(204,884)
Dividend income received	57,825	29,417
Interest income received	168,544	147,434
Rental income received	8,821	8,963
Income taxes paid	(13,955)	(18,536)
Net cash inflow/(outflow) from operating activities	<u>341,676</u>	<u>(37,606)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,100)	(2,308)
Purchase of intangible assets	(144)	(47)
Net cash outflow from investing activities	<u>(2,244)</u>	<u>(2,355)</u>
<b>Financing activities</b>		
Dividends paid	(86,250)	(54,000)
Interest paid on subordinated notes	(11,210)	-
Net cash outflow from financing activities	<u>(97,460)</u>	<u>(54,000)</u>
Effect of exchange rate changes on cash and cash equivalents	(667)	4,270
Net increase/(decrease) in cash and cash equivalents	241,305	(89,691)
Cash and cash equivalents at beginning of the financial period	<u>1,330,745</u>	<u>970,781</u>
<b>Cash and cash equivalents at end of the financial period</b>	<u><u>1,572,050</u></u>	<u><u>881,090</u></u>

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013 (CONT'D)**

	<b>6 months ended 31.12.2013 RM'000</b>	<b>6 months ended 31.12.2012 RM'000</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	44,483	66,914
Fixed and call deposits with maturity of less than 3 months		
- Licensed financial institutions	1,527,567	814,176
	<u>1,572,050</u>	<u>881,090</u>

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

## HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

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### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 1 . BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 31 December 2013 of Hong Leong Assurance Berhad (“the Company”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“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 2013, 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 2013, except for the adoption of the following:

<u>MFRS/Interpretations</u>	<u>Effective date</u>
• MFRS 10 “Consolidated Financial Statements”	1 January 2013
• MFRS 11 “Joint Arrangements”	1 January 2013
• MFRS 12 “Disclosures of Interests in Other Entities”	1 January 2013
• MFRS 13 “Fair Value Measurement”	1 January 2013
• Amendment to MFRS 1 “First-time Adoption of Malaysian Financial Reporting Standards - Government Loans”	1 January 2013
• Amendment to MFRS 7 “Financial Instruments: Disclosures”	1 January 2013
• Amendment to MFRS 119 “Employee Benefits”	1 January 2013
• Revised MFRS 127 “Separate financial statements”	1 January 2013
• Revised MFRS 128 “Investments in Associates and Joint Ventures”	1 January 2013
• Annual Improvements 2009-2011 Cycle	1 January 2013

The adoption of the above revised standards, amendments and interpretations issued by MASB which are effective in the current year do not have any significant financial impact to the financial statements of the Company.

**HONG LEONG ASSURANCE BERHAD**

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****3. FINANCIAL ASSETS**

	<b>31.12.2013</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Securities and other Government guaranteed assets	812,183	394,695
Debt securities	4,686,404	4,315,058
Equity securities	1,772,168	1,458,452
Unit and property trust funds	626,744	783,239
Structured investments	2,812	62,589
Loans	661,118	669,808
Deposits with financial institutions	150,148	627,933
	<u>8,711,577</u>	<u>8,311,774</u>

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

Held-to-maturity financial assets ("HTM")	576,321	401,747
Available-for-sale financial assets ("AFS")	6,588,631	5,935,357
Fair value through profit and loss financial assets ("FVTPL")	801,401	726,709
Loans and receivables ("LAR")	745,224	1,247,961
	<u>8,711,577</u>	<u>8,311,774</u>

**(a) HTM**

	<b>31.12.2013</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost:</b>		
Debt securities		
- Unquoted in Malaysia	576,321	401,747
	<u>576,321</u>	<u>401,747</u>
<b>At fair value:</b>		
Debt securities		
- Unquoted in Malaysia	583,890	434,910
	<u>583,890</u>	<u>434,910</u>

**HONG LEONG ASSURANCE BERHAD**

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(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****3. FINANCIAL ASSETS (CONT'D)****(b) AFS**

	<b>31.12.2013</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
Malaysian Government Securities and other Government guaranteed assets	812,183	394,695
Debt securities		
- Unquoted in Malaysia	3,679,670	3,564,825
- Unquoted outside Malaysia	313,508	229,444
Equity securities		
- Quoted in Malaysia *	977,970	747,155
- Unquoted in Malaysia	2,147	2,147
- Quoted outside Malaysia	246,582	210,277
Unit trusts		
- Quoted in Malaysia	120,962	130,822
- Quoted outside Malaysia	-	744
- Unquoted in Malaysia	435,609	595,579
Structured investments		
- Unquoted in Malaysia	-	59,669
	<u>6,588,631</u>	<u>5,935,357</u>

\* Includes Hong Leong Financial Group Berhad ("HLFG") ordinary shares held by AmTrustee Berhad for the ESOS scheme by HLF. On 8 June 2010, HLA granted 700,000 options over ordinary shares of HLF ("Options") to its eligible executives. Vesting of the Options will be done in three (3) stages as follows:

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

There is no new option granted during the financial period. (2012: Nil)

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

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

**(c) FVTPL**

	<b>31.12.2013</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
Debt securities		
- Unquoted in Malaysia	114,102	101,229
- Unquoted outside Malaysia	2,803	17,813
Equity securities		
- Quoted in Malaysia	486,940	447,314
- Quoted outside Malaysia	58,529	51,559
Unit trusts		
- Quoted in Malaysia	13,674	17,507
- Quoted outside Malaysia	10,759	11,619
- Unquoted in Malaysia	45,740	26,968
Structured investments		
- Unquoted in Malaysia	2,812	2,920
Fixed and call deposits		
- Licensed financial institutions	66,042	49,780
	<u>801,401</u>	<u>726,709</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

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

**(d) LAR**

	<b>31.12.2013</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At cost:</b>		
Fixed and call deposits		
- Licensed financial institutions	84,106	578,153
Policy loans	30,889	30,731
Premium loans	630,229	639,077
	<u>745,224</u>	<u>1,247,961</u>
	<u><u>745,224</u></u>	<u><u>1,247,961</u></u>
<b>At fair value:</b>		
Fixed and call deposits		
- Licensed financial institutions	84,106	578,153
Policy loans	30,889	30,731
Premium loans	630,229	639,077
	<u>745,224</u>	<u>1,247,961</u>
	<u><u>745,224</u></u>	<u><u>1,247,961</u></u>

**HONG LEONG ASSURANCE BERHAD**

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****4 . FAIR VALUE HIERARCHY**

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).

	<b>Financial assets</b>			<b>Derivatives</b>
	<b>AFS</b>	<b>FVTPL</b>	<b>Total</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31.12.2013</b>				
Level 1	1,345,514	569,902	1,915,416	-
Level 2	5,240,970	231,499	5,472,469	1,706
Level 3	2,147	-	2,147	-
	<u>6,588,631</u>	<u>801,401</u>	<u>7,390,032</u>	<u>1,706</u>
<b>30.6.2013</b>				
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 financial period. There is also no movement in Level 3 of the fair value hierarchy during the financial period.



**HONG LEONG ASSURANCE BERHAD**

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****5 . REINSURANCE ASSETS**

	<b>31.12.2013</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Reinsurance of insurance contracts	77,835	50,546

**6 . INSURANCE CONTRACT LIABILITIES**

	<b>Gross</b>		<b>Reinsurance</b>		<b>Net</b>	
	<b>31.12.2013</b>	<b>30.6.2013</b>	<b>31.12.2013</b>	<b>30.6.2013</b>	<b>31.12.2013</b>	<b>30.6.2013</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	84,078	80,649	(65,917)	(38,534)	18,161	42,115
Actuarial liabilities	6,118,375	5,750,520	(11,918)	(12,012)	6,106,457	5,738,508
Unallocated surplus	361,713	314,976	-	-	361,713	314,976
AFS fair value reserves	206,632	214,417	-	-	206,632	214,417
Net asset value attributable to unitholders (Note 9)	946,731	829,463	-	-	946,731	829,463
Life insurance contract liabilities	7,717,529	7,190,025	(77,835)	(50,546)	7,639,694	7,139,479

**HONG LEONG ASSURANCE BERHAD**

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****6 . INSURANCE CONTRACT LIABILITIES (CONT'D)**

	<b>Gross</b>			<b>Reinsurance</b>			<b>Net</b>
	<b>With DPF RM'000</b>	<b>Without DPF RM'000</b>	<b>Total RM'000</b>	<b>With DPF RM'000</b>	<b>Without DPF RM'000</b>	<b>Total RM'000</b>	<b>RM'000</b>
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 AFS fair value reserves	63,313	-	63,313	-	-	-	63,313
Change in unallocated surplus	90,909	-	90,909	-	-	-	90,909
Deferred tax effects:							
- Change in AFS fair value reserves	(4,190)	-	(4,190)	-	-	-	(4,190)
At 30 June 2013	<u>5,686,571</u>	<u>1,503,454</u>	<u>7,190,025</u>	<u>(11,904)</u>	<u>(38,642)</u>	<u>(50,546)</u>	<u>7,139,479</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****6 . INSURANCE CONTRACT LIABILITIES (CONT'D)**

	<b>Gross</b>			<b>Reinsurance</b>			<b>Net</b>
	<b>With DPF RM'000</b>	<b>Without DPF RM'000</b>	<b>Total RM'000</b>	<b>With DPF RM'000</b>	<b>Without DPF RM'000</b>	<b>Total RM'000</b>	<b>RM'000</b>
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	326,594	4,840	331,434	-	455	455	331,889
Experience variance	88,138	(11,006)	77,132	-	1,356	1,356	78,488
New business	41,428	21,554	62,982	-	(1,385)	(1,385)	61,597
Discount rate change	(33,952)	(71,520)	(105,472)	-	-	-	(105,472)
Adjustment due to changes in assumptions:							
Other assumptions	-	560	560	-	-	-	560
Other changes	685	534	1,219	-	(332)	(332)	887
Change in provision for outstanding claims	(4,975)	8,404	3,429	(6,541)	(20,842)	(27,383)	(23,954)
Change in net asset value attributable to unitholders	-	117,268	117,268	-	-	-	117,268
Change in AFS fair value reserves	(8,399)	-	(8,399)	-	-	-	(8,399)
Change in unallocated surplus	46,737	-	46,737	-	-	-	46,737
Deferred tax effects:							
- Change in AFS fair value reserves	614	-	614	-	-	-	614
At 31 December 2013	<u>6,143,441</u>	<u>1,574,088</u>	<u>7,717,529</u>	<u>(18,445)</u>	<u>(59,390)</u>	<u>(77,835)</u>	<u>7,639,694</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****7. 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:

	<b>31.12.2013</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 capital</b>		
- Share capital (paid up)	200,000	200,000
- Reserves, including retained earnings	2,912,826	2,594,972
<b>Eligible Tier 2 capital</b>		
- Eligible reserves	322,371	326,728
- Subordinated notes	500,000	500,000
	<u>3,935,197</u>	<u>3,621,700</u>

The Company has met the minimum capital requirements specified in the RBC Framework for the financial period ended 31.12.2013 and 30.6.2013.

**8. CAPITAL COMMITMENTS**

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

	<b>31.12.2013</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised and contracted for:		
- Property, plant and equipment	1,733	1,999
- Intangible assets	944	1,503
	<u>2,677</u>	<u>3,502</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****9 . 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 ("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 Unit-linked products.

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 31 DECEMBER 2013**

	<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
<b>Assets</b>					
Property, plant and equipment	2,511	86,885	-	-	89,396
Intangible assets	-	3,309	-	-	3,309
Investment properties	-	231,680	-	-	231,680
Financial assets	1,028,641	6,881,535	801,401	-	8,711,577
- HTM financial assets	-	576,321	-	-	576,321
- AFS financial assets	1,028,610	5,560,021	-	-	6,588,631
- HFT financial assets	-	-	801,401	-	801,401
- Loans and receivables	31	745,193	-	-	745,224
Derivative assets	-	1,464	242	-	1,706
Reinsurance assets	-	77,835	-	-	77,835
Insurance receivables	-	91,314	-	-	91,314
Other receivables	722,849	26,795	637	(718,719)	31,562
Non-current assets held-for-sale	60	-	-	-	60
Cash and cash equivalents	40,275	1,364,779	166,996	-	1,572,050
<b>Total assets</b>	<u>1,794,336</u>	<u>8,765,596</u>	<u>969,276</u>	<u>(718,719)</u>	<u>10,810,489</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****9 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 31 DECEMBER 2013 (CONT'D)**

	<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>Equity, policyholders' fund and liabilities</b>					
Share capital	200,000	-	-	-	200,000
Reserves	938,420	-	-	-	938,420
<b>Total equity</b>	<b>1,138,420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,138,420</b>
Insurance contract liabilities	-	6,770,798	946,731	-	7,717,529
Deferred tax liabilities	145,471	19,819	8,002	-	173,292
Tax payables	755	9,938	1,258	-	11,951
Insurance payables	-	1,151,919	-	-	1,151,919
Other payables	2,357	799,922	12,048	(718,719)	95,608
Derivative liabilities	346	13,200	1,237	-	14,783
Subordinated notes	506,987	-	-	-	506,987
<b>Total policyholders' fund and liabilities</b>	<b>655,916</b>	<b>8,765,596</b>	<b>969,276</b>	<b>(718,719)</b>	<b>9,672,069</b>
<b>Total equity, policyholders' fund and liabilities</b>	<b>1,794,336</b>	<b>8,765,596</b>	<b>969,276</b>	<b>(718,719)</b>	<b>10,810,489</b>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****9 . INSURANCE FUNDS (CONT'D)****CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 30 JUNE 2013**

	<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	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
- HFT 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	(664,517)	34,434
Non-current assets held-for-sale	60	-	-	-	60
Cash and cash equivalents	80,852	1,142,358	107,535	-	1,330,745
<b>Total assets</b>	<b>1,740,281</b>	<b>8,227,286</b>	<b>840,696</b>	<b>(664,517)</b>	<b>10,143,746</b>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****9 . INSURANCE FUNDS (CONT'D)****CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 30 JUNE 2013 (CONT'D)**

	<u>SHF</u>	<u>LF</u>	<u>ILF</u>	<u>Inter-fund elimination</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Equity, policyholders' fund and liabilities</b>					
Share capital	200,000	-	-	-	200,000
Reserves	906,572	-	-	-	906,572
<b>Total equity</b>	<u>1,106,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,106,572</u>
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	(664,517)	147,667
Derivative liabilities	596	12,307	2,257	-	15,160
Subordinated notes	506,765	-	-	-	506,765
<b>Total policyholders' fund and liabilities</b>	<u>633,709</u>	<u>8,227,286</u>	<u>840,696</u>	<u>(664,517)</u>	<u>9,037,174</u>
<b>Total equity, policyholders' fund and liabilities</b>	<u>1,740,281</u>	<u>8,227,286</u>	<u>840,696</u>	<u>(664,517)</u>	<u>10,143,746</u>



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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****9 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	997,743	110,820	-	1,108,563
Premiums ceded to reinsurers	-	(33,120)	-	-	(33,120)
<b>Net earned premiums</b>	<b>-</b>	<b>964,623</b>	<b>110,820</b>	<b>-</b>	<b>1,075,443</b>
Investment income	19,082	190,380	14,990	-	224,452
Realised gains	4,610	14,657	16,088	-	35,355
Fair value gains	496	5,724	12,074	-	18,294
Fees and commission income	-	6,362	-	(5,068)	1,294
Other operating income-net	31	215	-	-	246
<b>Other revenue</b>	<b>24,219</b>	<b>217,338</b>	<b>43,152</b>	<b>(5,068)</b>	<b>279,641</b>
Gross benefits and claims paid	-	(437,475)	(28,639)	-	(466,114)
Claims ceded to reinsurers	-	40,613	-	-	40,613
Gross change to contract liabilities	-	(414,612)	(117,268)	-	(531,880)
Change in contract liabilities ceded to reinsurers	-	(95)	-	-	(95)
<b>Net claims</b>	<b>-</b>	<b>(811,569)</b>	<b>(145,907)</b>	<b>-</b>	<b>(957,476)</b>
Fees and commission expense	21	(179,754)	(5,068)	5,068	(179,733)
Management expenses	(131)	(52,362)	(1)	-	(52,494)
<b>Other expenses</b>	<b>(110)</b>	<b>(232,116)</b>	<b>(5,069)</b>	<b>5,068</b>	<b>(232,227)</b>
Finance costs	(11,431)	-	-	-	(11,431)
<b>Profit before taxation</b>	<b>12,678</b>	<b>138,276</b>	<b>2,996</b>	<b>-</b>	<b>153,950</b>
Taxation	(26,301)	(11,282)	(2,996)	-	(40,579)
<b>Net (loss)/profit for the financial period</b>	<b>(13,623)</b>	<b>126,994</b>	<b>-</b>	<b>-</b>	<b>113,371</b>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****9 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2012**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	890,362	54,244	-	944,606
Premiums ceded to reinsurers	-	(28,062)	-	-	(28,062)
<b>Net earned premiums</b>	<b>-</b>	<b>862,300</b>	<b>54,244</b>	<b>-</b>	<b>916,544</b>
Investment income	10,821	163,377	12,253	-	186,451
Realised gains	6,686	50,571	6,698	-	63,955
Fair value (losses)/gains	(889)	(18,096)	13,389	-	(5,596)
Fees and commission income	-	4,254	-	(3,882)	372
Other operating income-net	30	437	-	-	467
<b>Other revenue</b>	<b>16,648</b>	<b>200,543</b>	<b>32,340</b>	<b>(3,882)</b>	<b>245,649</b>
Gross benefits and claims paid	-	(382,770)	(21,152)	-	(403,922)
Claims ceded to reinsurers	-	22,875	-	-	22,875
Gross change to contract liabilities	-	(419,730)	(59,730)	-	(479,460)
Change in contract liabilities ceded to reinsurers	-	44	-	-	44
<b>Net claims</b>	<b>-</b>	<b>(779,581)</b>	<b>(80,882)</b>	<b>-</b>	<b>(860,463)</b>
Fees and commission expense	(101)	(165,464)	(3,882)	3,882	(165,565)
Management expenses	(251)	(50,114)	-	-	(50,365)
<b>Other expenses</b>	<b>(352)</b>	<b>(215,578)</b>	<b>(3,882)</b>	<b>3,882</b>	<b>(215,930)</b>
<b>Profit before taxation</b>	<b>16,296</b>	<b>67,684</b>	<b>1,820</b>	<b>-</b>	<b>85,800</b>
Taxation	(12,690)	(14,195)	(1,820)	-	(28,705)
<b>Net profit for the financial period</b>	<b>3,606</b>	<b>53,489</b>	<b>-</b>	<b>-</b>	<b>57,095</b>

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**NOTES TO THE UNAUDITED 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 ended 31 December 2013.

**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 CONTIGENT LIABILITIES**

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

**14 . 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 2013.

**15 . 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.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****16 . DIRECTORS' REMUNERATION**

	<b>6 months ended 31.12.2013 RM'000</b>	<b>6 months ended 31.12.2012 RM'000</b>
<b>Executive:</b>		
-Wages, salaries and bonuses	600	600
-Defined contribution retirement plan	96	96
-Other employee benefits	26	26
	<u>722</u>	<u>722</u>
<b>Non-executive:</b>		
Fees	300	245
	<u>1,022</u>	<u>967</u>

The remuneration, including benefits-in-kind, attributable to the Company's Chief Executive Officer, during the financial period ended 31 December 2013 amounted to RM721,692 (2012: RM722,497).