

**COMPANY NUMBER (94613-X)**

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011**

**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 2011**

		<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
<b>Assets</b>			
Property, plant and equipment		95,811	94,326
Intangible assets		1,761	1,968
Investment properties		231,680	231,680
Financial investments	2	5,882,934	5,757,774
- HTM financial assets	2(a)	207,588	205,254
- AFS financial assets	2(b)	4,373,040	4,367,828
- HFT financial assets	2(c)	458,525	469,046
- Loans and receivables	2(d)	843,781	715,646
Derivative assets		2,644	303
Tax recoverable		10,172	-
Reinsurance assets	3	26,125	25,714
Insurance receivables		48,069	43,837
Other receivables		85,877	86,531
Non-current assets held-for-sale		55	55
Cash and cash equivalents		1,186,655	1,021,154
<b>Total assets</b>		7,571,783	7,263,342
<b>Equity, policyholders' fund and liabilities</b>			
Share capital		200,000	200,000
Reserves		341,049	339,735
<b>Total equity</b>		541,049	539,735
Insurance contract liabilities	4	6,183,349	5,838,934
Deferred tax liabilities		23,045	32,834
Tax payables		19,727	18,348
Insurance payables		41,941	41,867
Other payables		762,089	735,844
Dividend payable		-	54,000
Derivative liabilities		583	1,780
<b>Total liabilities</b>		7,030,734	6,723,607
<b>Total equity, policyholders' fund and liabilities</b>		7,571,783	7,263,342

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

**HONG LEONG ASSURANCE BERHAD**

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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011**

	<b>6 months ended 31.12.2011 RM'000</b>	<b>6 months ended 31.12.2010 RM'000</b>
<b>Operating revenue</b>		
- continuing operations	904,266	768,341
- discontinued operations	-	82,112
	<u>904,266</u>	<u>850,453</u>
<b>Continuing operations</b>		
Gross earned premiums	737,648	611,927
Premiums ceded to reinsurers	(24,184)	(33,037)
<b>Net earned premiums</b>	<u>713,464</u>	<u>578,890</u>
Investment income	166,618	156,414
Realised gains	26,225	35,462
Fair value (losses)/gains	(28,906)	23,098
Fees and commission income	807	169
Other operating income-net	13,406	13,953
<b>Other revenue</b>	<u>178,150</u>	<u>229,096</u>
Gross benefits and claims paid	(308,144)	(272,871)
Claims ceded to reinsurers	22,338	17,088
Gross change to contract liabilities	(394,770)	(201,160)
Change in contract liabilities to reinsurers	63	(12)
<b>Net claims</b>	<u>(680,513)</u>	<u>(456,955)</u>
Fees and commission expense	(137,016)	(112,248)
Management expenses	(47,308)	(38,490)
<b>Other expenses</b>	<u>(184,324)</u>	<u>(150,738)</u>
<b>Surplus/profit before taxation</b>	26,777	200,293
Taxation of life insurance	(15,229)	(19,108)
<b>Surplus after taxation/profit before taxation</b>	<u>11,548</u>	<u>181,185</u>
Taxation	(2,903)	(34,800)
<b>Profit for the period from continuing operations</b>	<u>8,645</u>	<u>146,385</u>

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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011 (CONT'D)**

	<b>6 months ended 31.12.2011 RM'000</b>	<b>6 months ended 31.12.2010 RM'000</b>
<b>Discontinued operations</b>		
Profit from discontinued operations, net of tax	-	986
Gain on disposal of general insurance, net	-	629,839
<b>Profit for the period from discontinued operations</b>	<u>-</u>	<u>630,825</u>
<b>Profit for the period</b>	<u>8,645</u>	<u>777,210</u>
<b>Other comprehensive income</b>		
Change in fair value reserves:		
Net (losses)/gains arising during the period	(7,258)	6,392
Net realised gain transferred to Income Statement	(2,516)	(1,430)
	<u>(9,774)</u>	<u>4,962</u>
Tax effects thereon	2,443	(1,241)
	<u>(7,331)</u>	<u>3,721</u>
<b>Total comprehensive income for the period</b>	<u><u>1,314</u></u>	<u><u>780,931</u></u>
<b>Earnings per share (sen)</b>		
- continuing operations	4.32	73.19
- discontinued operations	-	315.41
	<u>4.32</u>	<u>388.61</u>

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

**HONG LEONG ASSURANCE BERHAD**

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011**

	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Non- distributable</b>	<b>Distributable</b>	<b>Total RM'000</b>
	<b>No. of shares '000</b>	<b>Share capital RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	
<b>At 1 July 2010</b>	200,000	200,000	4,131	298,538	502,669
Total comprehensive income for the period	-	-	3,721	777,210	780,931
Dividend paid during the period	-	-	-	(763,646)	(763,646)
<b>At 31 December 2010</b>	<u>200,000</u>	<u>200,000</u>	<u>7,852</u>	<u>312,102</u>	<u>519,954</u>
<b>At 1 July 2011</b>	200,000	200,000	13,363	326,372	539,735
Total comprehensive income for the period	-	-	(7,331)	8,645	1,314
<b>At 31 December 2011</b>	<u>200,000</u>	<u>200,000</u>	<u>6,032</u>	<u>335,017</u>	<u>541,049</u>

*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 CASH FLOWS  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011**

	<b>6 months ended 31.12.2011 RM'000</b>	<b>6 months ended 31.12.2010 RM'000</b>
<b>Operating activities</b>		
Cash generated from/(used in) operating activities	95,416	(470,108)
Dividend income received	21,932	17,670
Interest income received	127,906	110,359
Rental income received	8,505	8,882
Income taxes paid	(29,844)	(28,427)
Net cash inflows/(outflows) from operating activities	<u>223,915</u>	<u>(361,624)</u>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	-	5
Purchase of property, plant and equipment	(4,130)	(3,545)
Purchase of intangible assets	(284)	(359)
Net cash outflows from investing activities	<u>(4,414)</u>	<u>(3,899)</u>
<b>Financing activities</b>		
Dividends paid	(54,000)	(87)
Net cash outflows from financing activities	<u>(54,000)</u>	<u>(87)</u>
Net increase/(decrease) in cash and cash equivalents	165,501	(365,610)
Cash and cash equivalents at beginning of the financial year	1,021,154	1,185,053
<b>Cash and cash equivalents at end of the financial year</b>	<u><u>1,186,655</u></u>	<u><u>819,443</u></u>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	74,621	35,609
Fixed and call deposits with maturity of less than 3 months		
-Licensed financial institutions	1,112,034	783,834
	<u><u>1,186,655</u></u>	<u><u>819,443</u></u>

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

## HONG LEONG ASSURANCE BERHAD

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### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The interim financial statements of Hong Leong Assurance Berhad ("the Company") is unaudited and have been prepared in accordance with guideline/circular issued by Bank Negara Malaysia ("BNM") and should be read in conjunction with the Company's audited financial statements for the financial year ended 30 June 2011.

##### (b) Changes in accounting policies

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the Company audited financial statements for the financial year ended 30 June 2011 except for the adoption of the following:

<u>FRSs/Interpretations</u>	<u>Effective Date</u>
(i) Amendments to FRS 1: -Limited Exception from Comparative FRS 7 Disclosures for First-time Adopters -Additional Exceptions for First-time Adopters	1 January 2011
(ii) Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
(iii) Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
(iv) IC Interpretation 4: Determining Whether an Arrangement contains a Lease	1 January 2011
(v) Improvements to FRSs (2010)	1 January 2011

The adoption of the above revised standards, amendments and interpretations 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

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

##### (b) Changes in accounting policies (cont'd)

The revised standards, amendments and interpretations that are effective but are not applicable to the Company financial year beginning on or after 1 July 2011 are as follows:

<u>FRSs/Interpretations</u>	<u>Effective Date</u>
(i) Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
(ii) IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
(iii) IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The adoption of the above revised standards, amendments and interpretations are not expected to have any significant financial impact to the financial statements of the Company.

#### 2. FINANCIAL INVESTMENTS

	<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
Malaysian Government Securities and other Government guaranteed assets	537,626	541,660
Debt securities	3,099,486	3,066,315
Equity securities	1,077,259	1,107,269
Unit and property trust funds	125,878	120,975
Structured investments	197,149	203,158
Loans	682,417	676,745
Deposits with financial institutions	163,119	41,652
	<u>5,882,934</u>	<u>5,757,774</u>

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

Held-to-maturity financial assets ("HTM")	207,588	205,254
Available-for-sale financial assets ("AFS")	4,373,040	4,367,828
Held-for-trading financial assets ("HFT")	458,525	469,046
Loans and receivables ("LAR")	843,781	715,646
	<u>5,882,934</u>	<u>5,757,774</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****2. FINANCIAL INVESTMENTS (CONT'D)****(a) HTM**

	<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
<b>At amortised cost:</b>		
Debt securities		
- Unquoted in Malaysia	207,588	205,254
<b>At fair value:</b>		
Debt securities		
- Unquoted in Malaysia	232,207	228,052

**(b) AFS**

<b>At fair value:</b>		
Malaysian Government Securities and other Government guaranteed assets	525,381	529,426
Debt securities		
- Unquoted in Malaysia	2,625,503	2,464,884
- Unquoted outside Malaysia	180,556	325,716
Equity securities		
- Quoted in Malaysia	503,143	557,239
- Unquoted in Malaysia	2,147	2,147
- Quoted outside Malaysia	238,864	192,769
Unit trusts		
- Quoted in Malaysia	91,848	88,344
- Unquoted in Malaysia	11,045	11,330
Structured investments		
- Unquoted in Malaysia	194,553	195,973
	<u>4,373,040</u>	<u>4,367,828</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****2. FINANCIAL INVESTMENTS (CONT'D)****(c) HFT**

	<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
<b>At fair value:</b>		
Malaysian Government Securities and other Government guaranteed assets	12,245	12,234
Debt securities		
- Unquoted in Malaysia	71,206	70,461
- Unquoted outside Malaysia	14,633	-
Equity securities		
- Quoted in Malaysia	314,282	341,695
- Quoted outside Malaysia	18,823	13,419
Unit trusts		
- Quoted in Malaysia	10,171	8,131
- Unquoted in Malaysia	12,814	13,170
Structured investments		
- Unquoted in Malaysia	2,596	7,185
Fixed and call deposits		
- Licensed financial institutions	1,755	2,751
	<u>458,525</u>	<u>469,046</u>

**(d) LAR****At cost:**

Fixed and call deposits		
- Licensed financial institutions	161,364	38,901
Policy loans	28,240	28,734
Premium loans	654,177	648,011
	<u>843,781</u>	<u>715,646</u>

**At fair value:**

Fixed and call deposits		
- Licensed financial institutions	161,364	38,901
Policy loans	28,240	28,734
Premium loans	654,177	648,011
	<u>843,781</u>	<u>715,646</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****2. FINANCIAL INVESTMENTS (CONT'D)****(e) Fair value of financial investments**

The following table shows financial investments recorded at fair value analysed by the different basis of fair values as follows:

	<b>AFS</b>	<b>HFT</b>	<b>Derivatives</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2011</b>				
Quoted market price	844,900	357,845	-	1,202,745
Valuation techniques				
- market observable inputs	3,525,993	100,680	2,644	3,629,317
Valuation techniques				
- non-market observable inputs	2,147	-	-	2,147
	<u>4,373,040</u>	<u>458,525</u>	<u>2,644</u>	<u>4,834,209</u>
<b>30 June 2011</b>				
Quoted market price	849,682	379,166	-	1,228,848
Valuation techniques				
- market observable inputs	3,515,999	89,880	303	3,606,182
Valuation techniques				
- non-market observable inputs	2,147	-	-	2,147
	<u>4,367,828</u>	<u>469,046</u>	<u>303</u>	<u>4,837,177</u>

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

	<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
Reinsurance of insurance contracts	<u>26,125</u>	<u>25,714</u>

**4. INSURANCE CONTRACT LIABILITIES**

	<b>As at 31 December 2011</b>			<b>As at 30 June 2011</b>		
	<b>Gross RM'000</b>	<b>Re-insurance RM'000</b>	<b>Net RM'000</b>	<b>Gross RM'000</b>	<b>Re-insurance RM'000</b>	<b>Net RM'000</b>
Provision for outstanding claims	66,047	(15,194)	50,853	58,413	(14,847)	43,566
Actuarial liabilities	4,656,262	(10,931)	4,645,331	4,350,248	(10,867)	4,339,381
Unallocated surplus	703,576	-	703,576	618,236	-	618,236
AFS fair value reserves	183,061	-	183,061	241,050	-	241,050
Net asset value attributable to unitholders (Note 7)	574,403	-	574,403	570,987	-	570,987
	<u>6,183,349</u>	<u>(26,125)</u>	<u>6,157,224</u>	<u>5,838,934</u>	<u>(25,714)</u>	<u>5,813,220</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****4. 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>
<b>At 1 July 2010</b>	3,505,171	1,705,629	5,210,800	(4,877)	(18,846)	(23,723)	5,187,077
Projected change for inforce policies at 30 June 2010	281,902	(22,349)	259,553	-	818	818	260,371
Experience variance	56,463	19,250	75,713	-	305	305	76,018
New business	99,982	85,241	185,223	-	(1,085)	(1,085)	184,138
Discount rate change	7,828	6,084	13,912	-	(6)	(6)	13,906
Adjustment due to changes in assumptions:						-	
Mortality and morbidity	1,646	(608)	1,038	-	448	448	1,486
Lapse rate	3,998	(395)	3,603	-	(33)	(33)	3,570
Policy expenses and inflation	1,286	10,066	11,352	-	-	-	11,352
Other changes	43,090	2,278	45,368	-	(40)	(40)	45,328
Change in provision for outstanding claims	2,392	(3,045)	(653)	(236)	(2,162)	(2,398)	(3,051)
Change in net asset value attributable to unitholders	-	99,462	99,462	-	-	-	99,462
Change in AFS fair value reserves	97,317	28,103	125,420	-	-	-	125,420
Change in unallocated surplus	(48,562)	(136,099)	(184,661)	-	-	-	(184,661)
Deferred tax effects:							
- Change in AFS fair value reserves	(4,948)	(2,248)	(7,196)	-	-	-	(7,196)
<b>At 30 June 2011</b>	<b>4,047,565</b>	<b>1,791,369</b>	<b>5,838,934</b>	<b>(5,113)</b>	<b>(20,601)</b>	<b>(25,714)</b>	<b>5,813,220</b>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****4. 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
<b>At 1 July 2011</b>	4,047,565	1,791,369	5,838,934	(5,113)	(20,601)	(25,714)	5,813,220
Projected change for inforce policies at 31 December 2011	180,508	(11,586)	168,922	-	250	250	169,172
Experience variance	38,652	(2,872)	35,780	-	336	336	36,116
New business	66,252	13,673	79,925	-	(506)	(506)	79,419
Discount rate change	10,090	9,430	19,520	-	(144)	(144)	19,376
Other changes	(1,318)	3,185	1,867	-	-	-	1,867
Change in provision for outstanding claims	7,247	387	7,634	(869)	522	(347)	7,287
Change in net asset value attributable to unitholders	-	3,416	3,416	-	-	-	3,416
Change in AFS fair value reserves	(47,959)	(14,300)	(62,258)	-	-	-	(62,258)
Change in unallocated surplus	21,660	63,680	85,340	-	-	-	85,340
Deferred tax effects:							
- Change in AFS fair value reserves	3,126	1,144	4,269	-	-	-	4,269
<b>At 31 December 2011</b>	<b>4,325,823</b>	<b>1,857,526</b>	<b>6,183,349</b>	<b>(5,982)</b>	<b>(20,143)</b>	<b>(26,125)</b>	<b>6,157,224</b>

**HONG LEONG ASSURANCE BERHAD**

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****5. 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>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
<b>Eligible Tier 1 capital</b>		
- Share capital (paid up)	200,000	200,000
- Reserves, including retained earnings	2,167,547	2,054,837
<b>Eligible Tier 2 capital</b>		
- Eligible reserves	189,093	254,412
	<u>2,556,640</u>	<u>2,509,249</u>

**6. CAPITAL COMMITMENTS**

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

	<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
Authorised but not contracted for:		
Property and equipment	4,036	1,209
Intangible assets	2,201	2,313
	<u>6,237</u>	<u>3,522</u>



**HONG LEONG ASSURANCE BERHAD**

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****7. 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 and Insurance Regulations, 1996. The Company's statement of financial position and income statement have been further analysed by funds which include the Life Fund, Investment-linked Fund ("ILF") and the SHF. The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Unit-linked products.

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS**

	Shareholders' and General Fund	Life Fund	Investment -linked Fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31.12.2011</b>					
<b>Assets</b>					
Property, plant and equipment	2,584	93,227	-	-	95,811
Intangible assets	-	1,761	-	-	1,761
Investment properties	-	231,680	-	-	231,680
Financial investments	212,103	5,212,306	458,525	-	5,882,934
- HTM financial assets	-	207,588	-	-	207,588
- AFS financial assets	212,103	4,160,937	-	-	4,373,040
- HFT financial assets	-	-	458,525	-	458,525
- Loans and receivables	-	843,781	-	-	843,781
Derivative assets	22	2,505	117	-	2,644
Tax recoverable	10,172	-	-	-	10,172
Reinsurance assets	-	26,125	-	-	26,125
Insurance receivables	-	48,069	-	-	48,069
Other receivables	17,950	59,729	8,526	(328)	85,877
Non-current assets held-for-sale	55	-	-	-	55
Cash and cash equivalents	301,714	772,054	112,887	-	1,186,655
<b>Total assets</b>	<b>544,600</b>	<b>6,447,456</b>	<b>580,055</b>	<b>(328)</b>	<b>7,571,783</b>

**HONG LEONG ASSURANCE BERHAD**

(Company No.94613-X)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****7. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
(CONT'D)**

	<b>Shareholders' and General Fund</b>	<b>Life Fund</b>	<b>Investment -linked Fund</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>31.12.2011 (cont'd)</b>					
<b>Equity, policyholders' fund and liabilities</b>					
Share capital	200,000	-	-	-	200,000
Reserves	341,049	-	-	-	341,049
<b>Total equity</b>	<b>541,049</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>541,049</b>
Insurance contract liabilities	-	5,608,946	574,403	-	6,183,349
Deferred tax liabilities	1,931	19,111	2,003	-	23,045
Tax payables	-	17,069	2,658	-	19,727
Insurance payables	-	41,941	-	-	41,941
Other payables	1,538	759,906	973	(328)	762,089
Derivative liabilities	82	483	18	-	583
<b>Total policyholders' fund and liabilities</b>	<b>3,551</b>	<b>6,447,456</b>	<b>580,055</b>	<b>(328)</b>	<b>7,030,734</b>
<b>Total equity, policyholders' fund and liabilities</b>	<b>544,600</b>	<b>6,447,456</b>	<b>580,055</b>	<b>(328)</b>	<b>7,571,783</b>

**HONG LEONG ASSURANCE BERHAD**

(Company No.94613-X)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****7. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
(CONT'D)**

	Shareholders' and General Fund	Life Fund	Investment -linked Fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30.6.2011</b>					
<b>Assets</b>					
Property, plant and equipment	2,608	91,718	-	-	94,326
Intangible assets	-	1,968	-	-	1,968
Investment properties	-	231,680	-	-	231,680
Financial investments	214,627	5,074,101	469,046	-	5,757,774
- HTM financial assets	-	205,254	-	-	205,254
- AFS financial assets	214,627	4,153,201	-	-	4,367,828
- HFT financial assets	-	-	469,046	-	469,046
- Loans and receivables	-	715,646	-	-	715,646
Derivative assets	25	274	4	-	303
Reinsurance assets	-	25,714	-	-	25,714
Insurance receivables	-	43,837	-	-	43,837
Other receivables	84,257	64,703	3,696	(66,125)	86,531
Non-current assets held-for-sale	55	-	-	-	55
Cash and cash equivalents	306,911	608,936	105,307	-	1,021,154
<b>Total assets</b>	<b>608,483</b>	<b>6,142,931</b>	<b>578,053</b>	<b>(66,125)</b>	<b>7,263,342</b>

**HONG LEONG ASSURANCE BERHAD**

(Company No.94613-X)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****7. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS  
(CONT'D)**

	<b>Shareholders' and General Fund</b>	<b>Life Fund</b>	<b>Investment -linked Fund</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>30.6.2011 (cont'd)</b>					
<b>Equity, policyholders' fund and liabilities</b>					
Share capital	200,000	-	-	-	200,000
Reserves	339,735	-	-	-	339,735
<b>Total equity</b>	<b>539,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>539,735</b>
Insurance contract liabilities	-	5,267,947	570,987	-	5,838,934
Deferred tax liabilities	4,084	23,926	4,824	-	32,834
Tax payables	9,546	7,499	1,303	-	18,348
Insurance payables	-	41,867	-	-	41,867
Other payables	1,107	799,946	916	(66,125)	735,844
Dividend payable	54,000	-	-	-	54,000
Derivative liabilities	11	1,746	23	-	1,780
<b>Total policyholders' fund and liabilities</b>	<b>68,748</b>	<b>6,142,931</b>	<b>578,053</b>	<b>(66,125)</b>	<b>6,723,607</b>
<b>Total equity, policyholders' fund and liabilities</b>	<b>608,483</b>	<b>6,142,931</b>	<b>578,053</b>	<b>(66,125)</b>	<b>7,263,342</b>

**HONG LEONG ASSURANCE BERHAD**

(Company No.94613-X)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****7. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011**

	<b>Share- holders' Fund RM'000</b>	<b>Life Fund RM'000</b>	<b>Investment- Linked Fund RM'000</b>	<b>Total RM'000</b>
<b>Operating revenue</b>	8,332	841,717	54,217	904,266
Gross earned premiums	-	693,018	44,630	737,648
Premiums ceded to reinsurers	-	(24,184)	-	(24,184)
<b>Net earned premiums</b>	-	668,834	44,630	713,464
Investment income	8,332	148,699	9,587	166,618
Realised gains	2,516	22,112	1,597	26,225
Fair value (losses)/gains	(74)	3,494	(32,326)	(28,906)
Fees and commission income	-	807	-	807
Other operating income-net	1,345	11,975	86	13,406
<b>Other revenue</b>	12,119	187,087	(21,056)	178,150
Gross benefits and claims paid	-	(289,858)	(18,286)	(308,144)
Claims ceded to reinsurers	-	22,338	-	22,338
Gross change to contract liabilities	-	(391,353)	(3,417)	(394,770)
Change in contract liabilities to reinsurers	-	63	-	63
<b>Net claims</b>	-	(658,810)	(21,703)	(680,513)
Fees and commission expense	(95)	(133,582)	(3,339)	(137,016)
Management expenses	(476)	(46,832)	-	(47,308)
<b>Other expenses</b>	(571)	(180,414)	(3,339)	(184,324)
<b>Profit before taxation</b>	11,548	16,697	(1,468)	26,777
Taxation	(2,903)	(16,697)	1,468	(18,132)
<b>Profit for the period</b>	8,645	-	-	8,645

**HONG LEONG ASSURANCE BERHAD**

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(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****7. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2010**

	Continuing operations			Discontinued operations	Total RM'000
	Share- holders' Fund RM'000	Life Fund RM'000	Investment- Linked Fund RM'000	General Fund RM'000	
<b>Operating revenue</b>	7,683	708,821	51,837	82,112	850,453
Gross earned premiums	-	570,267	41,660	79,542	691,469
Premiums ceded to reinsurers	-	(33,037)	-	(26,120)	(59,157)
<b>Net earned premiums</b>	-	537,230	41,660	53,422	632,312
Investment income	7,683	138,554	10,177	2,570	158,984
Realised gains	1,009	25,455	8,998	426	35,888
Fair value (losses)/gains	(1,018)	(14,973)	39,089	(1,477)	21,621
Fees and commission income	-	169	-	5,818	5,987
Other operating income-net	359	13,802	(208)	-	13,953
<b>Other revenue</b>	8,033	163,007	58,056	7,337	236,433
Gross benefits and claims paid	-	(257,179)	(15,692)	(42,748)	(315,619)
Claims ceded to reinsurers	-	17,088	-	12,578	29,666
Gross change to contract liabilities	-	(124,387)	(76,773)	13,323	(187,837)
Change in contract liabilities to reinsurers	-	(12)	-	(13,949)	(13,961)
<b>Net claims</b>	-	(364,490)	(92,465)	(30,796)	(487,751)

**HONG LEONG ASSURANCE BERHAD**

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS****7. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2010**

	Continuing operations			Discontinued operations	Total RM'000
	Share- holders' Fund RM'000	Life Fund RM'000	Investment- Linked Fund RM'000	General Fund RM'000	
Fees and					
commission expense	(102)	(109,085)	(3,061)	(12,586)	(124,834)
Management expenses	(1,746)	(36,744)	-	(15,646)	(54,136)
Other operating expenses-net	-	-	-	(38)	(38)
<b>Other expenses</b>	<b>(1,848)</b>	<b>(145,829)</b>	<b>(3,061)</b>	<b>(28,270)</b>	<b>(179,008)</b>
Profit from continuing operations/discontinued operations	6,185	189,918	4,190	1,693	201,986
Gain on disposal of general insurance, net	-	-	-	629,839	629,839
Inter-fund transfer:-					
From Life Fund to Shareholders' Fund	175,000	(175,000)	-	-	-
<b>Profit before taxation</b>	<b>181,185</b>	<b>14,918</b>	<b>4,190</b>	<b>631,532</b>	<b>831,825</b>
Taxation	(34,800)	(14,918)	(4,190)	(707)	(54,615)
<b>Profit for the period</b>	<b>146,385</b>	<b>-</b>	<b>-</b>	<b>630,825</b>	<b>777,210</b>