

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 2017**

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

CONTENTS	PAGE
UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION	1
UNAUDITED CONDENSED STATEMENT OF INCOME	2
UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME	3
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY	4
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS	5 to 7
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	8 to 27

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	31.12.2017 RM'000	30.6.2017 RM'000
Assets			
Property, plant and equipment		88,106	87,532
Intangible assets		2,571	3,741
Investment properties	3	496,624	496,624
Financial assets	4	15,539,840	14,470,145
- Held-to-maturity financial assets	4	611,264	611,211
- Available-for-sale financial assets	4	10,638,021	10,348,635
- Fair value through profit or loss financial assets	4	3,093,818	2,584,119
- Loans and receivables	4	1,196,737	926,180
Derivative assets		17,319	5,520
Reinsurance assets	6	48,688	44,589
Insurance receivables		114,749	148,410
Other receivables		33,284	49,306
Non-current assets held-for-sale		60	60
Cash and cash equivalents		1,427,813	1,650,479
Total assets		17,769,054	16,956,406
Equity, policyholders' fund and liabilities			
Share capital		200,000	200,000
Reserves		1,385,841	1,372,089
Total equity		1,585,841	1,572,089
Insurance contract liabilities	6	12,763,060	12,104,694
Deferred tax liabilities		270,567	232,749
Tax payables		27,455	24,062
Insurance payables		2,410,601	2,257,435
Other payables		184,325	232,051
Derivative liabilities		19,559	25,954
Subordinated notes		507,646	507,372
Total policyholders' fund and liabilities		16,183,213	15,384,317
Total equity, policyholders' fund and liabilities		17,769,054	16,956,406

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 2017**

	6 months ended 31.12.2017 RM'000	6 months ended 31.12.2016 RM'000
Gross earned premiums	1,456,174	1,415,766
Premiums ceded to reinsurers	(39,343)	(31,554)
Net earned premiums	1,416,831	1,384,212
Investment income	366,081	325,919
Realised gains	64,260	8,616
Fair value gains/(losses)	98,426	(19,844)
Other operating income-net	-	3,791
Other revenue	528,767	318,482
Gross benefits and claims paid	(844,146)	(708,073)
Claims ceded to reinsurers	33,690	23,458
Gross change to contract liabilities	(657,515)	(547,294)
Change in contract liabilities ceded to reinsurers	426	(555)
Net benefits and claims	(1,467,545)	(1,232,464)
Fees and commission expense	(199,493)	(210,764)
Management expenses	(80,115)	(79,797)
Other operating expenses-net	(27,845)	-
Other expenses	(307,453)	(290,561)
Finance cost	(11,431)	(11,431)
Surplus before taxation	159,169	168,238
Tax expense attributable to participating fund and unitholders	(29,825)	(19,592)
Profit before taxation attributable to shareholders	129,344	148,646
Taxation	(67,519)	(49,516)
Tax expense attributable to participating fund and unitholders	29,825	19,592
Taxation attributable to shareholders	(37,694)	(29,924)
Net profit for the financial period	91,650	118,722
Earnings per share (sen)	45.83	59.36

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

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(Company No.94613-X)

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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	6 months ended 31.12.2017 RM'000	6 months ended 31.12.2016 RM'000
Net profit for the financial period	91,650	118,722
Other comprehensive income:		
<u>Items that may be subsequently reclassified to profit or loss:</u>		
Fair value changes on available-for-sale financial assets, net of deferred tax:		
Gross fair value gains/(losses) arising during the financial period	52,645	(41,120)
Gross fair value gains transferred to income statement	(55,954)	(12,429)
	<u>(3,309)</u>	<u>(53,549)</u>
Tax effects thereon	(329)	6,206
	<u>(3,638)</u>	<u>(47,343)</u>
Net fair value losses	(3,638)	(47,343)
Change in insurance contract liabilities arising from net fair value gains	5,740	36,901
	<u>2,102</u>	<u>(10,442)</u>
Total comprehensive income for the financial period	<u>93,752</u>	<u>108,280</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 2017**

	Issued and fully paid ordinary shares of RM1 each		Reserves			Total RM'000
	No. of shares '000	Share capital RM'000	Non-distributable		Distributable	
			Fair value reserve RM'000	*Retained earnings RM'000	Retained earnings RM'000	
At 1 July 2016	200,000	200,000	47,936	766,218	424,492	1,438,646
Net profit for the financial period	-	-	-	112,600	6,122	118,722
Other comprehensive income for the financial period	-	-	(10,442)	-	-	(10,442)
Dividend paid during the financial period	-	-	-	-	(87,000)	(87,000)
At 31 December 2016	200,000	200,000	37,494	878,818	343,614	1,459,926
At 1 July 2017	200,000	200,000	69,625	857,807	444,657	1,572,089
Net profit for the financial period	-	-	-	77,267	14,383	91,650
Other comprehensive income for the financial period	-	-	2,102	-	-	2,102
Dividend paid during the financial period	-	-	-	-	(80,000)	(80,000)
At 31 December 2017	200,000	200,000	71,727	935,074	379,040	1,585,841

* 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.

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	6 months ended 31.12.2017 RM'000	6 months ended 31.12.2016 RM'000
Operating activities		
Net profit for the financial period	91,650	118,722
Adjustments for:		
Investment income recorded in income statement	(366,081)	(325,919)
Realised (gains)/losses recorded in income statement	(59,724)	1,473
Fair value (gains)/losses recorded in income statement	(98,426)	19,844
Foreign exchange losses/(gains)	25,366	(38,196)
Proceeds from sale of fair value through profit or loss financial assets	313,393	528,373
Maturity of fair value through profit or loss financial assets	48,936	1,869
Purchase of fair value through profit or loss financial assets	(791,463)	(819,075)
Proceeds from sale of available-for-sale financial assets	730,255	919,545
Maturity of available-for-sale financial assets	1,034,846	194,000
Purchase of available-for-sale financial assets	(2,030,443)	(2,034,061)
Proceeds from realisation/(purchase) of derivatives	6,548	(25,586)
(Increase)/decrease in loan and receivables	(274,734)	387,711
Finance costs	11,431	11,431
	<u>(1,450,096)</u>	<u>(1,178,591)</u>
Non-cash items:		
Depreciation of property, plant and equipment	2,367	2,381
Gains on disposal of property, plant and equipment	-	(42)
Amortisation of intangible assets	1,449	1,230
Impairment on available-for-sale financial assets	8,444	37,432
Tax expense	67,519	49,516
	<u>79,779</u>	<u>90,517</u>

HONG LEONG ASSURANCE BERHAD

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017 (CONT'D)**

	6 months ended 31.12.2017 RM'000	6 months ended 31.12.2016 RM'000
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(4,099)	3,151
Decrease in insurance receivables	33,661	14,483
Decrease in other receivables	13,238	476
Increase in insurance contract liabilities	664,106	554,253
Increase in insurance payables	153,166	203,502
Decrease in other payables	(47,726)	(41,905)
	<u>812,346</u>	<u>733,960</u>
Cash used in operating activities	(466,321)	(235,392)
Dividend income received	67,607	60,338
Interest income received	287,178	258,217
Rental income received	6,980	8,390
Income taxes paid	(26,185)	(25,328)
Net cash (outflow)/inflow from operating activities	<u>(130,741)</u>	<u>66,225</u>
Investing activities		
Proceeds from sale of property, plant and equipment	-	42
Purchase of property, plant and equipment	(2,942)	(3,860)
Purchase of intangible assets	(278)	(24)
Net cash outflow from investing activities	<u>(3,220)</u>	<u>(3,842)</u>
Financing activities		
Dividends paid	(80,000)	(87,000)
Interest paid on subordinated notes	(11,157)	(11,096)
Net cash outflow from financing activities	<u>(91,157)</u>	<u>(98,096)</u>
Effect of exchange rate changes on cash and cash equivalents	2,452	(1,613)
Net decrease in cash and cash equivalents	(222,666)	(37,326)
Cash and cash equivalents at beginning of the financial period	<u>1,650,479</u>	<u>1,691,263</u>
Cash and cash equivalents at end of the financial period	<u><u>1,427,813</u></u>	<u><u>1,653,937</u></u>

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017 (CONT'D)**

	6 months ended 31.12.2017 RM'000	6 months ended 31.12.2016 RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	85,177	69,055
Fixed and call deposits with maturity of less than 3 months		
- Licensed financial institutions	1,342,636	1,584,882
	<u>1,427,813</u>	<u>1,653,937</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 2017 of Hong Leong Assurance Berhad (“the Company”) are unaudited and have been prepared in accordance with MFRS 134/IAS 34: Interim Financial Reporting and should be read in conjunction with the Company’s audited financial statements for the financial year ended 30 June 2017, which were prepared in accordance with the Malaysian Financial Reporting Standards.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2017 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2017:

- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’
- Amendments to MFRS 112 ‘Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses’

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

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

	31.12.2017	30.6.2017
	RM'000	RM'000
As at beginning of the financial period/year	496,624	491,334
Fair value gain	-	5,290
As at end of the financial period/year	<u>496,624</u>	<u>496,624</u>
The analysis of investment properties is as follows:		
Freehold land and building	494,594	494,594
Leasehold land and building	2,030	2,030
	<u>496,624</u>	<u>496,624</u>

The fair values of the investment properties as at 30 June 2017 were revalued by an independent professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd. 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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(Company No.94613-X)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**4 . FINANCIAL ASSETS**

	31.12.2017	30.6.2017
	RM'000	RM'000
Malaysian Government Securities and other Government guaranteed assets	4,740,572	3,958,730
Corporate bonds	5,446,139	5,856,233
Equity securities	2,572,126	2,364,921
Unit trusts and real estate investment trusts	1,108,613	968,939
Policy loans and premium loans	573,212	584,546
Deposits with financial institutions	1,099,178	736,776
	<u>15,539,840</u>	<u>14,470,145</u>

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

	31.12.2017	30.6.2017
	RM'000	RM'000
Held-to-maturity financial assets ("HTM")	611,264	611,211
Available-for-sale financial assets ("AFS")	10,638,021	10,348,635
Fair value through profit and loss financial assets ("FVTPL")	3,093,818	2,584,119
Loans and receivables	1,196,737	926,180
	<u>15,539,840</u>	<u>14,470,145</u>

The following investments mature within 12 months:

HTM financial assets	200,461	-
AFS financial assets	415,269	1,045,711
FVTPL financial assets	75,530	45,688
Loans and receivables	1,196,737	926,180
	<u>1,887,997</u>	<u>2,017,579</u>

The following investments mature after 12 months:

HTM financial assets	410,803	611,211
AFS financial assets	10,222,752	9,302,924
FVTPL financial assets	3,018,288	2,538,431
	<u>13,651,843</u>	<u>12,452,566</u>

HONG LEONG ASSURANCE BERHAD

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

	31.12.2017	30.6.2017
	RM'000	RM'000
At amortised cost:		
Corporate bonds		
- Unquoted in Malaysia	<u>611,264</u>	<u>611,211</u>
At fair value:		
Corporate bonds		
- Unquoted in Malaysia	<u>623,634</u>	<u>626,197</u>

(b) AFS

	31.12.2017	30.6.2017
	RM'000	RM'000
At fair value:		
Malaysian Government Securities and other Government guaranteed assets	4,145,149	3,411,083
Corporate bonds		
- Unquoted in Malaysia	3,763,382	4,356,991
- Unquoted outside Malaysia	276,876	298,858
Equity securities		
- Quoted in Malaysia *	1,635,557	1,521,702
- Unquoted in Malaysia	2,147	2,147
- Quoted outside Malaysia	106,843	114,346
Unit trusts		
- Quoted in Malaysia	151,033	634,568
- Quoted outside Malaysia	9,440	8,940
- Unquoted in Malaysia	547,594	-
	<u>10,638,021</u>	<u>10,348,635</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 31.12.2017 and 30.6.2017.

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

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

	31.12.2017	30.6.2017
	RM'000	RM'000
At fair value:		
Malaysian Government Securities and other Government guaranteed assets	595,423	547,647
Corporate bonds		
- Unquoted in Malaysia	794,617	564,612
- Unquoted outside Malaysia	-	24,561
Equity securities		
- Quoted in Malaysia	762,092	693,650
- Quoted outside Malaysia	65,487	33,076
Unit trusts		
- Quoted in Malaysia	2,295	325,431
- Unquoted in Malaysia	398,251	-
Fixed and call deposits		
- Licensed financial institutions	475,653	395,142
	<u>3,093,818</u>	<u>2,584,119</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

4 . FINANCIAL ASSETS (CONT'D)

(d) Loans and receivables

	31.12.2017	30.6.2017
	RM'000	RM'000
At cost:		
Fixed and call deposits		
- Licensed financial institutions	623,525	341,634
Policy loans	32,710	33,361
Premium loans	540,502	551,185
	<u>1,196,737</u>	<u>926,180</u>
At fair value:		
Fixed and call deposits		
- Licensed financial institutions	623,525	341,634
Policy loans	32,710	33,361
Premium loans	540,502	551,185
	<u>1,196,737</u>	<u>926,180</u>

HONG LEONG ASSURANCE BERHAD

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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		
31.12.2017					
<u>Recurring fair value measurements</u>					
Level 1	1,902,873	829,874	2,732,747		
Level 2	8,733,001	2,263,944	10,996,945		
Level 3	2,147	-	2,147		
	<u>10,638,021</u>	<u>3,093,818</u>	<u>13,731,839</u>		
30.6.2017					
<u>Recurring fair value measurements</u>					
Level 1	2,279,556	1,052,157	3,331,713		
Level 2	8,066,932	1,531,962	9,598,894		
Level 3	2,147	-	2,147		
	<u>10,348,635</u>	<u>2,584,119</u>	<u>12,932,754</u>		
		Derivatives	Derivatives		
		assets	liabilities		
		RM'000	RM'000		
31.12.2017					
<u>Recurring fair value measurements</u>					
Level 2		<u>17,319</u>	<u>19,559</u>		
30.6.2017					
<u>Recurring fair value measurements</u>					
Level 2		<u>5,520</u>	<u>25,954</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 . INSURANCE CONTRACT LIABILITIES**

	Gross		Reinsurance		Net	
	31.12.2017	30.6.2017	31.12.2017	30.6.2017	31.12.2017	30.6.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for outstanding claims	103,639	97,048	(25,200)	(21,528)	78,439	75,520
Actuarial liabilities	10,139,480	9,754,008	(23,488)	(23,061)	10,115,992	9,730,947
Unallocated surplus	168,677	145,026	-	-	168,677	145,026
Fair value adjustment on AFS financial assets	305,668	311,408	-	-	305,668	311,408
Net asset value attributable to unitholders (Note 10)	2,045,596	1,797,204	-	-	2,045,596	1,797,204
Life insurance contract liabilities	<u>12,763,060</u>	<u>12,104,694</u>	<u>(48,688)</u>	<u>(44,589)</u>	<u>12,714,372</u>	<u>12,060,105</u>

HONG LEONG ASSURANCE BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**6 . 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 2016	8,364,396	2,209,794	10,574,190	(6,890)	(41,658)	(48,548)	10,525,642
Change in non-economic assumptions and valuation methodology:							
Mortality and morbidity	(7,798)	2,269	(5,529)	-	-	-	(5,529)
Persistency	3,131	(31)	3,100	-	-	-	3,100
Expense	1,628	11,407	13,035	-	-	-	13,035
Others	(31,191)	1,827	(29,364)	-	843	843	(28,521)
Change in economic assumptions	121,013	(32,346)	88,667	-	428	428	89,095
Projected change for inforce policies at 30 June 2016	766,719	62,106	828,825	-	1,525	1,525	830,350
Experience variance	48,971	8,958	57,929	-	(451)	(451)	57,478
New business	107,680	61,108	168,788	-	(1,624)	(1,624)	167,164
Change in unprocessed unit reserves	-	28,505	28,505	-	-	-	28,505
Change in provision for outstanding claims	3,252	1,648	4,900	5,777	(2,539)	3,238	8,138
Change in net asset value attributable to unitholders	-	423,049	423,049	-	-	-	423,049
Change in fair value of AFS financial assets	65,631	-	65,631	-	-	-	65,631
Change in unallocated surplus	(117,032)	-	(117,032)	-	-	-	(117,032)
At 30 June 2017	<u>9,326,400</u>	<u>2,778,294</u>	<u>12,104,694</u>	<u>(1,113)</u>	<u>(43,476)</u>	<u>(44,589)</u>	<u>12,060,105</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**6 . 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 2017	9,326,400	2,778,294	12,104,694	(1,113)	(43,476)	(44,589)	12,060,105
Change in non-economic assumptions and valuation methodology:							
Others	29,492	1,989	31,481	-	(191)	(191)	31,290
Change in economic assumptions	-	(3,458)	(3,458)	-	(15)	(15)	(3,473)
Projected change for inforce policies at 30 June 2017	313,803	20,975	334,778	-	819	819	335,597
Experience variance	(48,408)	7,477	(40,931)	-	(250)	(250)	(41,181)
New business	10,482	45,628	56,110	-	(790)	(790)	55,320
Other changes	-	79	79	-	-	-	79
Change in unprocessed unit reserves	-	7,413	7,413	-	-	-	7,413
Change in provision for outstanding claims	(3,658)	10,249	6,591	323	(3,995)	(3,672)	2,919
Change in net asset value attributable to unitholders	-	248,392	248,392	-	-	-	248,392
Change in fair value of AFS financial assets	(5,740)	-	(5,740)	-	-	-	(5,740)
Change in unallocated surplus	23,651	-	23,651	-	-	-	23,651
At 31 December 2017	<u>9,646,022</u>	<u>3,117,038</u>	<u>12,763,060</u>	<u>(790)</u>	<u>(47,898)</u>	<u>(48,688)</u>	<u>12,714,372</u>

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED 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:

	31.12.2017	30.6.2017
	RM'000	RM'000
Eligible Tier 1 capital		
- Share capital (paid up)	200,000	200,000
- Reserves	3,474,848	3,461,839
Eligible Tier 2 capital		
- Eligible reserves	880,464	883,823
Deductions	(2,571)	-
	<u>4,552,741</u>	<u>4,545,662</u>

The Company has met the minimum capital requirements specified in the RBC Framework for the financial period ended 31.12.2017 and 30.6.2017.

8. CAPITAL COMMITMENTS

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

	31.12.2017	30.6.2017
	RM'000	RM'000
Authorised and contracted for:		
- Property, plant and equipment	1,966	2,709
- Intangible assets	1,658	1,696
	<u>3,624</u>	<u>4,405</u>

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED 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 Financial Services Act, 2013. The Company's statement of financial position and income statement have been further analysed by funds which include the Life Fund ("LF"), Investment-linked Fund ("ILF") and SHF. The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Investment-linked products.

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2017**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	1,736	86,370	-	-	88,106
Intangible assets	-	2,571	-	-	2,571
Investment properties	231,594	265,030	-	-	496,624
Financial assets	907,349	12,743,379	1,889,112	-	15,539,840
- HTM financial assets	-	611,264	-	-	611,264
- AFS financial assets	907,314	9,730,707	-	-	10,638,021
- HFT financial assets	-	1,204,706	1,889,112	-	3,093,818
- Loans and receivables	35	1,196,702	-	-	1,196,737
Derivative assets	121	17,012	186	-	17,319
Reinsurance assets	-	48,688	-	-	48,688
Insurance receivables	-	114,749	-	-	114,749
Other receivables	1,166,128	27,719	731	(1,161,294)	33,284
Non-current assets held-for-sale	60	-	-	-	60
Cash and cash equivalents	21,640	1,224,775	181,398	-	1,427,813
Total assets	2,328,628	14,530,293	2,071,427	(1,161,294)	17,769,054

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**9 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2017 (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	1,385,841	-	-	-	1,385,841
Total equity	1,585,841	-	-	-	1,585,841
Insurance contract liabilities	-	10,717,466	2,045,594	-	12,763,060
Deferred tax liabilities	220,982	30,514	19,071	-	270,567
Tax payables	3,720	20,827	2,908	-	27,455
Insurance payables	-	2,410,601	-	-	2,410,601
Other payables	10,439	1,331,382	3,798	(1,161,294)	184,325
Derivative liabilities	-	19,503	56	-	19,559
Subordinated notes	507,646	-	-	-	507,646
Total policyholders' fund and liabilities	742,787	14,530,293	2,071,427	(1,161,294)	16,183,213
Total equity, policyholders' fund and liabilities	2,328,628	14,530,293	2,071,427	(1,161,294)	17,769,054

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**9 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 30 JUNE 2017**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	1,476	86,056	-	-	87,532
Intangible assets	-	3,741	-	-	3,741
Investment properties	231,594	265,030	-	-	496,624
Financial assets	862,011	11,921,985	1,686,149	-	14,470,145
- HTM financial assets	-	611,211	-	-	611,211
- AFS financial assets	861,977	9,486,658	-	-	10,348,635
- HFT financial assets	-	918,213	1,665,906	-	2,584,119
- Loans and receivables	34	905,903	20,243	-	926,180
Derivative assets	-	5,520	-	-	5,520
Reinsurance assets	-	44,589	-	-	44,589
Insurance receivables	-	148,410	-	-	148,410
Other receivables	1,171,612	43,235	4,580	(1,170,121)	49,306
Non-current assets held-for-sale	60	-	-	-	60
Cash and cash equivalents	25,237	1,502,622	122,620	-	1,650,479
Total assets	2,291,990	14,021,188	1,813,349	(1,170,121)	16,956,406

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**9 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 30 JUNE 2017 (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	1,372,089	-	-	-	1,372,089
Total equity	1,572,089	-	-	-	1,572,089
Insurance contract liabilities	-	10,307,490	1,797,204	-	12,104,694
Deferred tax liabilities	190,642	29,297	12,810	-	232,749
Tax payables	8,624	13,739	1,699	-	24,062
Insurance payables	-	2,257,435	-	-	2,257,435
Other payables	13,203	1,387,559	1,410	(1,170,121)	232,051
Derivative liabilities	60	25,668	226	-	25,954
Subordinated notes	507,372	-	-	-	507,372
Total policyholders' fund and liabilities	719,901	14,021,188	1,813,349	(1,170,121)	15,384,317
Total equity, policyholders' fund and liabilities	2,291,990	14,021,188	1,813,349	(1,170,121)	16,956,406

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**9 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	1,183,350	272,824	-	1,456,174
Premiums ceded to reinsurers	-	(39,343)	-	-	(39,343)
Net earned premiums	-	1,144,007	272,824	-	1,416,831
Investment income	19,267	322,311	24,503	-	366,081
Realised gains/(losses)	5,863	59,699	(1,302)	-	64,260
Fair value gains	181	20,100	78,145	-	98,426
Fees and commission income	-	11,450	-	(11,450)	-
Other revenue	25,311	413,560	101,346	(11,450)	528,767
Gross benefits and claims paid	-	(741,610)	(102,536)	-	(844,146)
Claims ceded to reinsurers	-	33,690	-	-	33,690
Gross change to contract liabilities	-	(409,124)	(248,391)	-	(657,515)
Change in contract liabilities ceded to reinsurers	-	426	-	-	426
Net claims	-	(1,116,618)	(350,927)	-	(1,467,545)
Fees and commission expense	563	(204,471)	(7,035)	11,450	(199,493)
Management expenses	2,822	(80,245)	(2,692)	-	(80,115)
Other operating expenses-net	143	(21,651)	(6,337)	-	(27,845)
Other expenses	3,528	(306,367)	(16,064)	11,450	(307,453)
Finance costs	(11,431)	-	-	-	(11,431)
Profit before taxation	17,408	134,582	7,179	-	159,169
Taxation	(32,588)	(27,752)	(7,179)	-	(67,519)
Net (loss)/profit for the financial period	(15,180)	106,830	-	-	91,650

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**9 . INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	1,246,401	169,365	-	1,415,766
Premiums ceded to reinsurers	-	(31,554)	-	-	(31,554)
Net earned premiums	-	1,214,847	169,365	-	1,384,212
Investment income	20,004	288,052	17,863	-	325,919
Realised gains/(losses)	1,250	(2,030)	9,396	-	8,616
Fair value (losses)/gains	(225)	(29,868)	10,249	-	(19,844)
Fees and commission income	-	8,558	-	(8,558)	-
Other operating income-net	323	4,573	(1,105)	-	3,791
Other revenue	21,352	269,285	36,403	(8,558)	318,482
Gross benefits and claims paid	-	(636,415)	(71,658)	-	(708,073)
Claims ceded to reinsurers	-	23,458	-	-	23,458
Gross change to contract liabilities	-	(424,143)	(123,151)	-	(547,294)
Change in contract liabilities ceded to reinsurers	-	(555)	-	-	(555)
Net claims	-	(1,037,655)	(194,809)	-	(1,232,464)
Fees and commission expense	234	(213,795)	(5,761)	8,558	(210,764)
Management expenses	(131)	(77,447)	(2,219)	-	(79,797)
Other expenses	103	(291,242)	(7,980)	8,558	(290,561)
Finance costs	(11,431)	-	-	-	(11,431)
Profit before taxation	10,024	155,235	2,979	-	168,238
Taxation	(26,965)	(19,572)	(2,979)	-	(49,516)
Net (loss)/profit for the financial period	(16,941)	135,663	-	-	118,722

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**10 . 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:

	31.12.2017	30.6.2017
	RM'000	RM'000
<u>Statement of financial position</u>		
Assets		
Financial assets - FVTPL financial assets/total assets	3,802	3,782
Liabilities		
Deferred tax liabilities	24	9
Tax payables	(11)	(12)
Total liabilities	13	(3)
Net asset value	3,789	3,785
	6 months	6 months
	ended	ended
	31.12.2017	31.12.2016
	RM'000	RM'000
<u>Statement of comprehensive income</u>		
Realised gains/(losses)	13	(30)
Fair value gains	179	153
Other revenue	192	123
Gross benefits and claims paid	(173)	(430)
Gross change to contract liabilities	(4)	317
Net claims	(177)	(113)
Profit before taxation	15	10
Taxation	(15)	(10)
Net profit for the financial period	-	-

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

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

12 . CHANGES IN ESTIMATE

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

13 . SEASONAL OR CYCLICAL FACTORS

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

14 . CHANGES IN CONTIGENT LIABILITIES OR CONTIGENT ASSETS

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

15 . DEBTS AND EQUITY SECURITIES

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

16 . RELATED PARTY TRANSACTIONS

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

17 . 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.