

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 2019**

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 2019**

	Note	31.12.2019 RM'000	30.6.2019 RM'000
Assets			
Property, plant and equipment		81,100	81,169
Intangible assets		5,975	6,597
Right-of-use assets		3,537	-
Investment properties	3	489,500	489,500
Financial assets	4	19,354,892	18,544,154
- Fair value through profit or loss financial assets	4	18,383,796	17,220,310
- Amortised cost financial assets	4	971,096	1,323,844
Derivative assets		21,261	13,744
Reinsurance assets	6	45,030	15,658
Insurance receivables		71,959	88,722
Other receivables		22,785	26,868
Cash and cash equivalents		1,232,565	1,171,884
Total assets		21,328,604	20,438,296
Equity, policyholders' fund and liabilities			
Share capital		200,000	200,000
Reserves		1,613,547	1,590,026
Total equity		1,813,547	1,790,026
Insurance contract liabilities	6	15,306,687	14,590,199
Deferred tax liabilities		341,014	318,877
Tax payables		14,013	11,808
Insurance payables		3,118,037	2,948,896
Other payables		205,368	251,268
Lease Liabilities		3,562	-
Derivative liabilities		18,384	19,496
Subordinated notes		507,992	507,726
Total policyholders' fund and liabilities		19,515,057	18,648,270
Total equity, policyholders' fund and liabilities		21,328,604	20,438,296

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

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	6 months ended 31.12.2019 RM'000	6 months ended 31.12.2018 RM'000
Gross earned premiums	1,386,432	1,334,444
Premiums ceded to reinsurers	(51,318)	(52,968)
Net earned premiums	1,335,114	1,281,476
Investment income	444,480	399,518
Realised gains/(losses)	13,996	(4,532)
Fair value gains/(losses)	129,532	(41,930)
Fees and commission income	70	-
Other operating income-net	1,199	10,586
Other revenue	589,277	363,642
Gross benefits and claims paid	(929,097)	(825,944)
Claims ceded to reinsurers	64,872	34,656
Gross change to contract liabilities	(659,657)	(434,772)
Change in contract liabilities ceded to reinsurers	(1,686)	546
Net benefits and claims	(1,525,568)	(1,225,514)
Fees and commission expense	(172,226)	(173,450)
Management expenses	(87,517)	(93,554)
Other expenses	(259,743)	(267,004)
Finance cost	(11,507)	(11,431)
Surplus before taxation	127,573	141,169
Tax expense attributable to participating fund and unitholders	(29,542)	(15,515)
Profit before taxation attributable to shareholders	98,031	125,654
Taxation	(54,052)	(47,576)
Tax expense attributable to participating fund and unitholders	29,542	15,515
Taxation attributable to shareholders	(24,510)	(32,061)
Net profit / total comprehensive income for the financial period	73,521	93,593
Earnings per share (sen)	36.76	46.80

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 2019**

	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 2018	200,000	200,000	26,454	942,558	491,362	1,660,374
- effect of adopting MFRS 9	-	-	(26,454)	10,842	24,214	8,602
- as restated at 1 July 2018	200,000	200,000	-	953,400	515,576	1,668,976
Total comprehensive income/(loss) for the financial period	-	-	-	101,100	(7,507)	93,593
Dividend paid during the financial period	-	-	-	-	(100,000)	(100,000)
At 31 December 2018	200,000	200,000	-	1,054,500	408,069	1,662,569
At 1 July 2019	200,000	200,000	-	1,074,418	515,608	1,790,026
Total comprehensive income for the financial period	-	-	-	69,952	3,569	73,521
Dividend paid during the financial period	-	-	-	-	(50,000)	(50,000)
At 31 December 2019	200,000	200,000	-	1,144,370	469,177	1,813,547

* 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 2019**

	6 months ended 31.12.2019 RM'000	6 months ended 31.12.2018 RM'000
Operating activities		
Net profit / total comprehensive income	73,521	93,593
Adjustments for:		
Investment income recorded in income statement	(444,480)	(399,518)
Realised (gains)/losses recorded in income statement	(13,996)	4,532
Fair value (gains)/losses recorded in income statement	(129,532)	41,930
Foreign exchange losses/(gains)	4,668	(6,736)
Proceeds from sale of fair value through profit or loss financial assets	1,438,870	1,688,709
Maturity of fair value through profit or loss financial assets	246,800	478,787
Purchase of fair value through profit or loss financial assets	(2,713,172)	(3,306,695)
Proceeds from realisation/(purchase) of derivatives	807	(4,532)
Increase in amortised cost financial assets	355,167	242,881
Interest on subordinated notes	11,507	11,431
Interest on lease liabilities	81	-
	<u>(1,243,280)</u>	<u>(1,249,211)</u>
Non-cash items:		
Depreciation of property, plant and equipment	2,623	2,569
Gains on disposal of property, plant and equipment	(70)	-
Depreciation of right-of-use assets	1,261	-
Amortisation of intangible assets	1,274	1,905
Tax expense	54,052	47,576
	<u>59,140</u>	<u>52,050</u>

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2019 (CONT'D)**

	6 months ended 31.12.2019 RM'000	6 months ended 31.12.2018 RM'000
Changes in working capital:		
Increase in reinsurance assets	(29,372)	(1,390)
Decrease in insurance receivables	16,763	18,694
Decrease in other receivables	4,277	46,488
Increase in insurance contract liabilities	716,488	437,707
Increase in insurance payables	169,141	167,781
Decrease in other payables	(45,900)	(48,286)
	<u>831,397</u>	<u>620,994</u>
Cash used in operating activities	(279,222)	(482,574)
Dividend income received	115,966	85,256
Interest income received	316,982	308,571
Rental income received	(516)	(70)
Income taxes paid	(29,291)	(32,697)
Net cash inflow/(outflow) from operating activities	<u>123,919</u>	<u>(121,514)</u>
Investing activities		
Proceeds from sale of property, plant and equipment	70	-
Purchase of property, plant and equipment	(2,194)	(2,932)
Purchase of intangible assets	(652)	(332)
Net cash outflow from investing activities	<u>(2,776)</u>	<u>(3,264)</u>
Financing activities		
Dividends paid	(50,000)	(100,000)
Payment of lease liabilities	(1,317)	-
Interest paid on subordinated notes	(11,157)	(11,157)
Related expenses paid on subordinated notes	(8)	-
Net cash outflow from financing activities	<u>(62,482)</u>	<u>(111,157)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,020</u>	<u>154</u>
Net increase/(decrease) in cash and cash equivalents	60,681	(235,781)
Cash and cash equivalents at beginning of the financial period	<u>1,171,884</u>	<u>1,594,615</u>
Cash and cash equivalents at end of the financial period	<u><u>1,232,565</u></u>	<u><u>1,358,834</u></u>

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2019 (CONT'D)**

	6 months ended 31.12.2019 RM'000	6 months ended 31.12.2018 RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	80,192	65,495
Deposits with maturity of less than 3 months		
- Licensed financial institutions	1,152,373	1,293,339
	<u>1,232,565</u>	<u>1,358,834</u>

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

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

	6 months ended 31.12.2019 RM'000	6 months ended 31.12.2018 RM'000
Subordinated note		
Balance at the beginning of the financial period	507,726	507,549
Cash changes:		
- Interest paid	(11,157)	(11,157)
- Related expenses paid	(8)	-
Non-cash changes:		
- Accrued interest	11,342	11,342
- Amortised incidental costs	89	89
Balance at the end of the financial period	<u>507,992</u>	<u>507,823</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 unaudited condensed financial statements for the six months ended 31 December 2019 of Hong Leong Assurance Bhd ("the Company") have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which are stated at fair value.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standard Board and should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 30 June 2019. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Company since the financial year ended 30 June 2019.

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 2019 and modified for the adoption of the following accounting standards applicable for financial period beginning on or after 1 July 2019:

- MFRS 16 'Leases'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 112 'Income Taxes'

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The adoption of the above do not have any significant financial impact to the current and prior financial period's consolidated financial statements of the Company upon the initial application, except as mentioned below:

- MFRS 16 Leases

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" ("ROU") of the underlying asset and a lease liability reflecting future lease payments for most leases.

The ROU asset is depreciated in accordance with the principle as set out in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in statements of income.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company has adopted this standard from its mandatory adoption date of 1 July 2019. As permitted by MFRS 16, the Company has applied the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- MFRS 16 Leases (cont'd)

On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 for the Company was at 3.58% to 5.06% respectively per annum.

(i) The table below summarises the effects upon adoption of MFRS 16 as at 1 July 2019:

	As at 30 June 2019	Effects of adopting MFRS 16	As restated 1 July 2019
	RM'000	RM'000	RM'000
Right-of-use assets	-	2,753	2,753
Lease	-	2,753	2,753

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

	31.12.2019	30.6.2019
	RM'000	RM'000
As at beginning of the financial period/year	489,500	494,164
Fair value losses	-	(4,664)
	<u>489,500</u>	<u>489,500</u>
As at end of the financial period/year	<u>489,500</u>	<u>489,500</u>
The analysis of investment properties is as follows:		
Freehold land and building	487,000	487,000
Leasehold land and building	2,500	2,500
	<u>489,500</u>	<u>489,500</u>

The fair values of the investment properties as at 30 June 2019 were revalued by an independent professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. Fair value changes are recorded in the income statement.

Valuation techniques adopted

Pursuant to MFRS 13 Fair Value Measurement, the Company establishes a fair value hierarchy that categories into three levels of inputs to valuation techniques used to measure fair value as disclosed in Note 5.

	31.12.2019	30.6.2019
	RM'000	RM'000
Level 2	2,500	2,500
Level 3	487,000	487,000
	<u>489,500</u>	<u>489,500</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**3 . INVESTMENT PROPERTIES (CONT'D)**Valuation techniques adopted (cont'd)

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

Valuation technique	Unobservable input	31.12.2019	30.6.2019
Comparison & Investment Method	Term Yield	6.00%	6.00%
	Revisionary rate	6.50% - 6.75%	6.50% - 6.75%
	Average rental per square feet	RM4.45 - RM6.04	RM4.45 - RM6.04
	Discount rate	6.50% - 6.75%	6.50% - 6.75%
	Estimated value per square feet	RM595.57 - RM828.71	RM595.57 - RM828.71

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

	31.12.2019	30.6.2019
	RM'000	RM'000
Rental income generated	4,695	10,255
Direct operating expenses	(5,001)	(10,721)
	<u>(306)</u>	<u>(466)</u>

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

	31.12.2019	30.6.2019
	RM'000	RM'000
Malaysian Government Securities and other Government guaranteed assets	6,273,051	6,426,696
Corporate bonds	6,602,704	5,797,624
Equity securities	3,149,393	2,845,747
Unit trusts and real estate investment trusts	1,477,251	1,372,302
Policy loans and premium loans	537,248	544,108
Deposits with financial institutions	1,315,245	1,557,677
	<u>19,354,892</u>	<u>18,544,154</u>

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

Fair value through profit and loss ("FVTPL") financial assets	18,383,796	17,220,310
Amortised cost ("AC") financial assets	971,096	1,323,844
	<u>19,354,892</u>	<u>18,544,154</u>

The following investments mature within 12 months:

FVTPL financial assets	5,208,640	567,131
AC financial assets	971,096	1,273,273
	<u>6,179,736</u>	<u>1,840,404</u>

The following investments mature after 12 months:

FVTPL financial assets	13,175,156	16,653,179
AC financial assets	-	50,571
	<u>13,175,156</u>	<u>16,703,750</u>

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

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

(a) FVTPL financial assets

	31.12.2019	30.6.2019
	RM'000	RM'000
At fair value:		
Malaysian Government Securities and other Government guaranteed assets	6,273,051	6,426,696
Corporate bonds		
- Quoted in Malaysia	1,136	1,178
- Unquoted in Malaysia	6,157,511	5,463,467
- Unquoted outside Malaysia	444,057	332,979
Equity securities		
- Quoted in Malaysia *	2,768,318	2,577,662
- Quoted outside Malaysia	361,391	248,401
- Unquoted in Malaysia	19,684	19,684
Unit trusts		
- Quoted in Malaysia	179,223	159,649
- Quoted outside Malaysia	2,828	-
- Unquoted in Malaysia	1,295,200	1,212,653
Deposits with financial institutions	881,397	777,941
	<u>18,383,796</u>	<u>17,220,310</u>

* As at 31.12.2019, includes Hong Leong Financial Group Berhad ("HLFG") ordinary shares held by MTrustee Berhad for the ESOS scheme by HLFG.

(b) AC financial assets

	31.12.2019	30.6.2019
	RM'000	RM'000
At cost:		
Deposits with financial institutions	433,848	779,736
Policy loans	34,305	34,057
Premium loans	502,943	510,051
	<u>971,096</u>	<u>1,323,844</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

5 . FAIR VALUE HIERARCHY

Recurring fair values measurements

The table below analyses those financial instruments carried at fair value by their valuation method.

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Level 2 valuation are mainly based on indicative fair market prices/index by reference to the quotations provided by financial institutions and brokers. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

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

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**5 . FAIR VALUE HIERARCHY (CONT'D)**

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

	Fair value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Recurring fair value measurement</u>				
31.12.2019				
Financial assets				
FVTPL financial assets	4,608,096	13,756,016	19,684	18,383,796
Derivative assets	-	21,261	-	21,261
Total assets	<u>4,608,096</u>	<u>13,777,277</u>	<u>19,684</u>	<u>18,405,057</u>
Financial liabilities				
Derivative liabilities	-	18,384	-	18,384
Total liabilities	<u>-</u>	<u>18,384</u>	<u>-</u>	<u>18,384</u>
30.6.2019				
Financial assets				
FVTPL financial assets	4,199,543	13,001,083	19,684	17,220,310
Derivative assets	-	13,744	-	13,744
Total assets	<u>4,199,543</u>	<u>13,014,827</u>	<u>19,684</u>	<u>17,234,054</u>
Financial liabilities				
Derivative liabilities	-	19,496	-	19,496
Total liabilities	<u>-</u>	<u>19,496</u>	<u>-</u>	<u>19,496</u>

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**5 . FAIR VALUE HIERARCHY (CONT'D)**

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

	AFS financial assets RM'000	FVTPL financial assets RM'000	Total RM'000
At 1 July 2018	2,147	-	2,147
- effect of adopting MFRS 9	(2,147)	17,880	15,733
- as restated at 1 July 2018	-	17,880	17,880
Fair value gains	-	1,804	1,804
At 30 June 2019/31 December 2019	-	19,684	19,684

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**6. INSURANCE CONTRACT LIABILITIES**

	Gross		Reinsurance		Net	
	31.12.2019	30.6.2019	31.12.2019	30.6.2019	31.12.2019	30.6.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for outstanding claims	148,432	91,602	(53,755)	(22,697)	94,677	68,905
Actuarial liabilities	11,586,511	11,189,195	8,725	7,039	11,595,236	11,196,234
Unallocated surplus	733,458	736,764	-	-	733,458	736,764
Net asset value attributable to unitholders (Note 9)	2,838,286	2,572,638	-	-	2,838,286	2,572,638
Life insurance contract liabilities	15,306,687	14,590,199	(45,030)	(15,658)	15,261,657	14,574,541

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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 2018	9,668,143	3,219,876	12,888,019	(1,278)	(48,630)	(49,908)	12,838,111
- Effects on adoption of MFRS 9	6,073	-	6,073	-	-	-	6,073
- as restated at 1 July 2018	9,674,216	3,219,876	12,894,092	(1,278)	(48,630)	(49,908)	12,844,184
Change in non-economic assumptions and valuation methodology:							
Model and Methodology	64,455	6,525	70,980	-	-	-	70,980
Mortality & TPD Assumption	26,835	(58,871)	(32,036)	-	28,428	28,428	(3,608)
Critical Illnesses Assumption	2,506	(279)	2,227	-	(38)	(38)	2,189
HSI, HIB and PA Assumptions	-	(114)	(114)	-	-	-	(114)
Expense Assumption	67	16,558	16,625	-	(2)	(2)	16,623
Lapse Assumption	(29,388)	34,875	5,487	-	(1,409)	(1,409)	4,078
Discount Rate	59,601	-	59,601	-	-	-	59,601
Other Assumptions	(41,757)	947	(40,810)	-	-	-	(40,810)
Change in economic assumptions	-	95,592	95,592	-	266	266	95,858
Projected change for inforce policies at 30 June 2018	369,031	113,756	482,787	-	494	494	483,281
Experience variance	281,562	8,281	289,843	-	(1,313)	(1,313)	288,530
IBNR	176	4,064	4,240	-	-	-	4,240
Others - EMGS Inwards Reinsurance	-	650	650	-	-	-	650
New business	14,046	77,304	91,350	-	5,113	5,113	96,463
Miscellaneous Changes	-	(832)	(832)	-	832	832	-
Change in unprocessed unit reserves	-	13,075	13,075	-	-	-	13,075
Change in provision for outstanding claims	(21,472)	8,595	(12,877)	395	1,484	1,879	(10,998)
Change in net asset value attributable to unitholders	-	486,985	486,985	-	-	-	486,985
Change in unallocated surplus	163,334	-	163,334	-	-	-	163,334
At 30 June 2019	10,563,212	4,026,987	14,590,199	(883)	(14,775)	(15,658)	14,574,541

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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 2019	10,563,212	4,026,987	14,590,199	(883)	(14,775)	(15,658)	14,574,541
Change in non-economic assumptions and valuation methodology:							
Model and Methodology	875	116	991	-	-	-	991
Other Assumptions	88,272	-	88,272	-	-	-	88,272
Change in economic assumptions	-	58,444	58,444	-	212	212	58,656
Projected change for inforce policies at 30 June 2019	125,270	46,343	171,613	-	27	27	171,640
Experience variance	19,847	11,186	31,033	-	(1,451)	(1,451)	29,582
IBNR	(150)	2,624	2,474	-	-	-	2,474
Others - EMGS Inwards Reinsurance	-	583	583	-	-	-	583
New business	3,489	37,419	40,908	-	2,898	2,898	43,806
Change in unprocessed unit reserves	-	2,998	2,998	-	-	-	2,998
Change in provision for outstanding claims	6,720	50,110	56,830	(651)	(30,407)	(31,058)	25,772
Change in net asset value attributable to unitholders	-	265,648	265,648	-	-	-	265,648
Change in unallocated surplus	(3,306)	-	(3,306)	-	-	-	(3,306)
At 31 December 2019	10,804,229	4,502,458	15,306,687	(1,534)	(43,496)	(45,030)	15,261,657

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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:

	31.12.2019	30.6.2019
	RM'000	RM'000
Eligible Tier 1 capital		
- Share capital (paid up)	200,000	200,000
- Reserves	4,066,653	4,149,605
Eligible Tier 2 capital		
- Eligible reserves	500,000	500,000
Deductions	(5,975)	(6,597)
	<u>4,760,678</u>	<u>4,843,008</u>

The Company has met the minimum capital requirements specified in the RBC Framework for the financial period ended 31.12.2019 and 30.6.2019.

8 . CAPITAL COMMITMENTS

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

	31.12.2019	30.6.2019
	RM'000	RM'000
Authorised and contracted for:		
- Property, plant and equipment	386	66
- Intangible assets	2,415	1,960
	<u>2,801</u>	<u>2,026</u>

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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 2019**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	2,046	79,054	-	-	81,100
Intangible assets	-	5,975	-	-	5,975
Right-of-use assets	148	3,389	-	-	3,537
Investment properties	225,000	264,500	-	-	489,500
Financial assets	939,857	15,784,707	2,630,328	-	19,354,892
- FVTPL financial assets	939,820	14,832,485	2,611,491	-	18,383,796
- AC financial assets	37	952,222	18,837	-	971,096
Derivative assets	158	19,219	1,884	-	21,261
Reinsurance assets	-	45,030	-	-	45,030
Insurance receivables	-	71,959	-	-	71,959
Other receivables	1,399,806	21,678	1,371	(1,400,070)	22,785
Cash and cash equivalents	26,223	994,108	212,234	-	1,232,565
Total assets	2,593,238	17,289,619	2,845,817	(1,400,070)	21,328,604

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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 2019 (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	1,613,547	-	-	-	1,613,547
Total equity	1,813,547	-	-	-	1,813,547
Insurance contract liabilities	-	12,468,401	2,838,286	-	15,306,687
Deferred tax liabilities	255,064	83,733	2,217	-	341,014
Tax payables	(7,745)	20,680	1,078	-	14,013
Insurance payables	-	3,118,037	-	-	3,118,037
Other payables	24,231	1,576,971	4,236	(1,400,070)	205,368
Lease Liabilities	149	3,413	-	-	3,562
Derivative liabilities	-	18,384	-	-	18,384
Subordinated notes	507,992	-	-	-	507,992
Total policyholders' fund and liabilities	779,691	17,289,619	2,845,817	(1,400,070)	19,515,057
Total equity, policyholders' fund and liabilities	2,593,238	17,289,619	2,845,817	(1,400,070)	21,328,604

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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 2019**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	2,100	79,069	-	-	81,169
Intangible assets	-	6,597	-	-	6,597
Investment properties	225,000	264,500	-	-	489,500
Financial assets	877,130	15,204,329	2,462,695	-	18,544,154
- FVTPL financial assets	877,094	13,918,296	2,424,920	-	17,220,310
- AC financial assets	36	1,286,033	37,775	-	1,323,844
Derivative assets	23	13,510	211	-	13,744
Reinsurance assets	-	15,658	-	-	15,658
Insurance receivables	-	88,722	-	-	88,722
Other receivables	1,440,006	24,544	1,396	(1,439,078)	26,868
Cash and cash equivalents	22,300	1,031,852	117,732	-	1,171,884
Total assets	2,566,559	16,728,781	2,582,034	(1,439,078)	20,438,296

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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 2019 (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	1,590,026	-	-	-	1,590,026
Total equity	1,790,026	-	-	-	1,790,026
Insurance contract liabilities	-	12,017,561	2,572,638	-	14,590,199
Deferred tax liabilities	239,682	73,679	5,516	-	318,877
Tax payables	801	10,435	572	-	11,808
Insurance payables	-	2,948,896	-	-	2,948,896
Other payables	28,324	1,658,714	3,308	(1,439,078)	251,268
Derivative liabilities	-	19,496	-	-	19,496
Subordinated notes	507,726	-	-	-	507,726
Total policyholders' fund and liabilities	776,533	16,728,781	2,582,034	(1,439,078)	18,648,270
Total equity, policyholders' fund and liabilities	2,566,559	16,728,781	2,582,034	(1,439,078)	20,438,296

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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 2019**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	1,015,663	370,769	-	1,386,432
Premiums ceded to reinsurers	-	(51,318)	-	-	(51,318)
Net earned premiums	-	964,345	370,769	-	1,335,114
Investment income	18,321	360,627	65,532	-	444,480
Realised (losses)/gains	(652)	10,928	3,720	-	13,996
Fair value gains/(losses)	303	164,267	(35,038)	-	129,532
Fees and commission income	-	12,926	-	(12,856)	70
Other operating income-net	1,270	12,746	(12,817)	-	1,199
Other revenue	19,242	561,494	21,397	(12,856)	589,277
Gross benefits and claims paid	-	(809,614)	(119,483)	-	(929,097)
Claims ceded to reinsurers	-	64,872	-	-	64,872
Gross change to contract liabilities	-	(394,010)	(265,647)	-	(659,657)
Change in contract liabilities ceded to reinsurers	-	(1,686)	-	-	(1,686)
Net claims	-	(1,140,438)	(385,130)	-	(1,525,568)
Fees and commission expense	855	(177,781)	(8,156)	12,856	(172,226)
Management expenses	(4,065)	(83,453)	1	-	(87,517)
Other expenses	(3,210)	(261,234)	(8,155)	12,856	(259,743)
Finance costs	(11,431)	(76)	-	-	(11,507)
Profit/(loss) before taxation	4,601	124,091	(1,119)	-	127,573
Taxation	(16,387)	(38,784)	1,119	-	(54,052)
Net (loss)/profit for the financial period	(11,786)	85,307	-	-	73,521

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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 2018**

	SHF	LF	ILF	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	1,062,835	271,609	-	1,334,444
Premiums ceded to reinsurers	-	(52,968)	-	-	(52,968)
Net earned premiums	-	1,009,867	271,609	-	1,281,476
Investment income	16,903	344,048	38,567	-	399,518
Realised losses	(313)	(3,430)	(789)	-	(4,532)
Fair value gains/(losses)	45	54,291	(96,266)	-	(41,930)
Fees and commission income	-	12,766	-	(12,766)	-
Other operating income-net	1,165	18,571	(9,150)	-	10,586
Other revenue	17,800	426,246	(67,638)	(12,766)	363,642
Gross benefits and claims paid	-	(729,987)	(95,957)	-	(825,944)
Claims ceded to reinsurers	-	34,656	-	-	34,656
Gross change to contract liabilities	-	(326,910)	(107,862)	-	(434,772)
Change in contract liabilities ceded to reinsurers	-	546	-	-	546
Net claims	-	(1,021,695)	(203,819)	-	(1,225,514)
Fees and commission expense	833	(180,550)	(6,499)	12,766	(173,450)
Management expenses	(11,856)	(81,752)	54	-	(93,554)
Other expenses	(11,023)	(262,302)	(6,445)	12,766	(267,004)
Finance costs	(11,431)	-	-	-	(11,431)
(Loss)/profit before taxation	(4,654)	152,116	(6,293)	-	141,169
Taxation	(25,045)	(28,824)	6,293	-	(47,576)
Net (loss)/profit for the financial period	(29,699)	123,292	-	-	93,593

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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:

	31.12.2019	30.6.2019
	RM'000	RM'000
<u>Statement of financial position</u>		
Assets		
Financial assets - FVTPL financial assets/total assets	3,744	3,688
Total assets	<u>3,744</u>	<u>3,688</u>
Liabilities		
Deferred tax liabilities	(3)	(3)
Tax payables	(11)	(10)
Total liabilities	<u>(14)</u>	<u>(13)</u>
Net asset value	<u><u>3,758</u></u>	<u><u>3,701</u></u>
	6 months	6 months
	ended	ended
	31.12.2019	31.12.2018
	RM'000	RM'000
<u>Statement of comprehensive income</u>		
Net earned premiums	<u>57</u>	<u>148</u>
Fair value losses	<u>-</u>	<u>(241)</u>
Other revenue	<u>-</u>	<u>(241)</u>
Gross change to contract liabilities	<u>(57)</u>	<u>74</u>
Net claims	<u>(57)</u>	<u>74</u>
Loss before taxation	<u>-</u>	<u>(19)</u>
Taxation	<u>-</u>	<u>19</u>
Net profit for the financial period	<u><u>-</u></u>	<u><u>-</u></u>

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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 . DIVIDEND

During the half-year ended 31 December 2019, the Directors have not recommended any dividend to be paid for the period under review.

17 . CHANGES IN THE COMPOSITON OF THE COMPANY

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

18 . RELATED PARTY TRANSACTIONS

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

19 . SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

There were no significant events during the financial period under review.

20 . 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.