

COMPANY NUMBER (94613-X)

HONG LEONG ASSURANCE BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2012**

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 2012**

		31.12.2012	30.6.2012	01.07.2011
	Note	RM'000	Restated RM'000	Restated RM'000
Assets				
Property, plant and equipment		92,161	92,477	94,326
Intangible assets		3,285	3,881	1,968
Investment properties		231,680	231,680	231,680
Financial investments	2	7,472,000	6,832,199	5,838,215
- HTM financial assets	2(a)	401,893	422,389	208,138
- AFS financial assets	2(b)	5,430,635	5,046,319	4,444,259
- HFT financial assets	2(c)	607,359	539,814	469,982
- Loans and receivables	2(d)	1,032,113	823,677	715,836
Derivative assets		6,228	36	303
Tax recoverable		7,800	1,728	-
Reinsurance assets	4	28,056	28,018	25,714
Insurance receivables		64,880	61,550	43,837
Other receivables		21,802	15,905	27,043
Non-current assets held-for-sale		55	55	55
Cash and cash equivalents		881,090	970,781	1,023,380
Total assets		8,809,037	8,238,310	7,286,521
Equity, policyholders' fund and liabilities				
Share capital		200,000	200,000	200,000
Reserves		890,859	822,288	755,423
Total equity		1,090,859	1,022,288	955,423
Insurance contract liabilities	5	6,600,707	6,089,119	5,348,754
Deferred tax liabilities		149,188	132,434	130,504
Tax payables		8,074	2,966	18,348
Insurance payables		45,505	48,887	41,867
Other payables		914,154	886,197	735,845
Dividend payable		-	54,000	54,000
Derivative liabilities		550	2,419	1,780
Total liabilities		7,718,178	7,216,022	6,331,098
Total equity, policyholders' fund and liabilities		8,809,037	8,238,310	7,286,521

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 2012**

	6 months ended 31.12.2012 RM'000	6 months ended 31.12.2011 Restated RM'000
Operating revenue	<u>1,130,309</u>	<u>904,266</u>
Gross earned premiums	944,606	737,648
Premiums ceded to reinsurers	(28,062)	(24,184)
Net earned premiums	<u>916,544</u>	<u>713,464</u>
Investment income	185,703	166,618
Realised gains	63,791	29,211
Fair value losses	(5,596)	(21,267)
Fees and commission income	119	807
Other operating income-net	5,514	2,779
Other revenue	<u>249,531</u>	<u>178,148</u>
Gross benefits and claims paid	(403,922)	(308,947)
Claims ceded to reinsurers	22,875	23,142
Gross change to contract liabilities	(479,460)	(331,089)
Change in contract liabilities to reinsurers	44	63
Net claims	<u>(860,463)</u>	<u>(616,831)</u>
Fees and commission expense	(169,447)	(137,016)
Management expenses	(50,365)	(47,307)
Other expenses	<u>(219,812)</u>	<u>(184,323)</u>
Surplus/profit before taxation	85,800	90,458
Taxation of life insurance	(16,015)	(15,229)
Surplus after taxation/profit before taxation	69,785	75,229
Taxation	(13,225)	(15,002)
Profit for the period	<u>56,560</u>	<u>60,227</u>

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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2012 (CONT'D)**

	6 months ended 31.12.2012 RM'000	6 months ended 31.12.2011 Restated RM'000
Other comprehensive income		
Change in fair value reserves:		
Net gains/(losses) arising during the period	20,914	(20,285)
Net realised gain transferred to Income Statement	(5,839)	(2,643)
	<u>15,075</u>	<u>(22,928)</u>
Tax effects thereon	(3,064)	4,679
	<u>12,011</u>	<u>(18,249)</u>
Total comprehensive income for the period	<u><u>68,571</u></u>	<u><u>41,978</u></u>
Earnings per share (sen)	<u><u>28.28</u></u>	<u><u>30.11</u></u>

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

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2012**

	Issued and fully paid ordinary shares of RM1 each		Non- distributable		Dis- tributable	Total RM'000
	No. of shares '000	Share capital RM'000	Fair value reserve RM'000	Unallocated surplus RM'000	Retained earnings RM'000	
At 1 July 2011	200,000	200,000	30,747	-	326,372	557,119
- change in accounting policy	-	-	52,248	346,056	-	398,304
- as restated at 1 July 2011	200,000	200,000	82,995	346,056	326,372	955,423
Total comprehensive income for the period	-	-	(18,249)	51,582	8,645	41,978
At 31 December 2011	200,000	200,000	64,746	397,638	335,017	997,401
At 1 July 2012	200,000	200,000	23,853	-	349,578	573,431
- change in accounting policy	-	-	46,388	402,469	-	448,857
- as restated 1 July 2012	200,000	200,000	70,241	402,469	349,578	1,022,288
Total comprehensive income for the period	-	-	12,011	43,325	13,235	68,571
At 31 December 2012	200,000	200,000	82,252	445,794	362,813	1,090,859

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

HONG LEONG ASSURANCE BERHAD

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2012**

	6 months ended 31.12.2012 RM'000	6 months ended 31.12.2011 Restated RM'000
Operating activities		
Cash generated (used in)/from operating activities	(200,614)	93,239
Dividend income received	29,417	21,932
Interest income received	147,434	130,083
Rental income received	8,963	8,505
Income taxes paid	(18,536)	(29,844)
Net cash (outflows)/inflows from operating activities	<u>(33,336)</u>	<u>223,915</u>
Investing activities		
Purchase of property, plant and equipment	(2,308)	(4,130)
Purchase of intangible assets	(47)	(284)
Net cash outflows from investing activities	<u>(2,355)</u>	<u>(4,414)</u>
Financing activities		
Dividends paid	(54,000)	(54,000)
Net cash outflows from financing activities	<u>(54,000)</u>	<u>(54,000)</u>
Net (decrease)/increase in cash and cash equivalents	(89,691)	165,501
Cash and cash equivalents at beginning of the financial year	970,781	1,021,154
Cash and cash equivalents at end of the period	<u><u>881,090</u></u>	<u><u>1,186,655</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	66,914	74,621
Fixed and call deposits with maturity of less than 3 months		
-Licensed financial institutions	814,176	1,112,034
	<u>881,090</u>	<u>1,186,655</u>

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

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2012.

Since the previous annual audited financial statements as at 30 June 2012 were issued, the Company has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the Malaysian Accounting Standard Board (“MASB”) and Revised Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia (“BNM”) with effect from 1 July 2012. These interim financial statements are the Company's first MFRS compliant financial statements and hence MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards has been applied. The transition from FRS framework to MFRS framework and the adoption of the revised guidelines issued by BNM does not have any significant financial impact to the financial statements of the Company, other than as described below.

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the Company annual audited financial statements for the financial year ended 30 June 2012, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2012:

- MFRS 1: First-time Adoption of MFRS
- Revised MFRS 124 : Related Party Disclosures
- Amendment to MFRS 112 : Income Taxes
- Amendment to MFRS 7: Financial Instruments: Disclosures on Transfers of Financial Assets
- Amendment to MFRS 101: Presentation of Items of Other Comprehensive Income

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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

Basis of preparation of the financial statements (cont'd)

The adoption of the above revised standards, amendments and interpretations issued by MASB and revised guidelines by BNM which are effective in the current year do not have any significant financial impact to the financial statements of the Company, other than as discussed below:

(a) Unallocated surplus and available-for-sale ("AFS") reserves of non-participating funds

Prior to 1 July 2012, the Company recognised unallocated surplus and AFS reserves of non-participating funds as part of actuarial insurance contract liabilities as required under Guideline BNM_GL_003-28 Guidelines on Financial Reporting for Insurers issued by BNM on 22 July 2010.

On 21 February 2012, BNM issued a revised Guideline BNM_GL_003-28, which is effective for financial period commencing 1 January 2012. Under this new guideline, only life insurance contract liabilities with discretionary participating features (including actuarial liabilities, unallocated surplus and fair value/revaluation reserves, if any, of the life fund) shall be presented as a liability in the statement of financial position. Accordingly, the Company changed its accounting policy to classify the unallocated surplus and AFS reserves of non-participating funds from insurance contract liabilities to equity. This change in accounting policy is adopted retrospectively.

The impact of the change in accounting policy to the Company is disclosed in Note 9 to the interim financial statements.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**2. FINANCIAL INVESTMENTS**

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
Malaysian Government Securities and other Government guaranteed assets	453,395	458,671
Debt securities	4,265,708	3,971,222
Equity securities	1,279,429	1,173,940
Unit and property trust funds	336,022	241,496
Structured investments	61,614	120,940
Loans	679,508	683,482
Deposits with financial institutions	396,324	182,448
	<u>7,472,000</u>	<u>6,832,199</u>

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

Held-to-maturity financial assets ("HTM")	401,893	422,389
Available-for-sale financial assets ("AFS")	5,430,635	5,046,319
Fair value through profit and loss financial assets ("FVTPL")	607,359	539,814
Loans and receivables ("LAR")	1,032,113	823,677
	<u>7,472,000</u>	<u>6,832,199</u>

(a) HTM**At amortised cost:**

Debt securities

- Unquoted in Malaysia

401,893	422,389
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At fair value:

Debt securities

- Unquoted in Malaysia

428,563	445,586
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

2. FINANCIAL INVESTMENTS (CONT'D)

(b) AFS

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
At fair value:		
Malaysian Government Securities and other Government guaranteed assets	453,395	456,610
Debt securities		
- Unquoted in Malaysia	3,451,052	3,060,614
- Unquoted outside Malaysia	296,137	377,000
Equity securities		
- Quoted in Malaysia *	644,583	584,197
- Unquoted in Malaysia	2,147	2,147
- Quoted outside Malaysia	226,081	229,674
Unit trusts		
- Quoted in Malaysia	121,679	101,105
- Unquoted in Malaysia	176,674	116,769
Structured investments		
- Unquoted in Malaysia	58,887	118,203
	<u>5,430,635</u>	<u>5,046,319</u>

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

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

There is no new grant of options during the period (2011: NIL).

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

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
At fair value:		
Malaysian Government Securities and other Government guaranteed assets	-	2,061
Debt securities		
- Unquoted in Malaysia	77,330	78,273
- Unquoted outside Malaysia	39,296	32,946
Equity securities		
- Quoted in Malaysia	376,264	332,435
- Quoted outside Malaysia	30,354	25,487
Unit trusts		
- Quoted in Malaysia	17,426	11,116
- Unquoted in Malaysia	20,243	12,506
Structured investments		
- Unquoted in Malaysia	2,727	2,737
Fixed and call deposits		
- Licensed financial institutions	43,719	42,253
	<u>607,359</u>	<u>539,814</u>

(d) LAR**At cost:**

Fixed and call deposits		
- Licensed financial institutions	352,605	140,195
Policy loans	30,935	29,599
Premium loans	648,573	653,883
	<u>1,032,113</u>	<u>823,677</u>

At fair value:

Fixed and call deposits		
- Licensed financial institutions	352,605	140,195
Policy loans	30,935	29,599
Premium loans	648,573	653,883
	<u>1,032,113</u>	<u>823,677</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

3. FAIR VALUE HIERARCHY

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Other investments			Derivatives
	AFS RM'000	FVTPL RM'000	Total RM'000	RM'000
31.12.2012				
Level 1	1,169,017	488,006	1,657,023	-
Level 2	4,259,471	119,353	4,378,824	6,228
Level 3	2,147	-	2,147	-
	<u>5,430,635</u>	<u>607,359</u>	<u>6,037,994</u>	<u>6,228</u>
30.6.2012				
Level 1	1,031,745	456,743	1,488,488	-
Level 2	4,012,427	83,071	4,095,498	36
Level 3	2,147	-	2,147	-
	<u>5,046,319</u>	<u>539,814</u>	<u>5,586,133</u>	<u>36</u>

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

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

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
Reinsurance of insurance contracts	28,056	28,018

5. INSURANCE CONTRACT LIABILITIES

	Gross			Net		
	As at 31.12.2012 RM'000	As at 30.6.2012 (Restated) RM'000	As at 1.7.2011 (Restated) RM'000	As at 31.12.2012 RM'000	As at 30.6.2012 (Restated) RM'000	As at 1.7.2011 (Restated) RM'000
Provision for outstanding claims	78,969	90,598	58,413	62,441	74,063	43,566
Actuarial liabilities	5,357,673	4,961,895	4,350,248	5,346,146	4,950,412	4,339,381
Unallocated surplus	248,020	224,067	191,005	248,020	224,067	191,005
AFS fair value reserves	199,050	155,294	178,101	199,050	155,294	178,101
Net asset value attributable to unitholders (Note 8)	716,995	657,265	570,987	716,995	657,265	570,987
	6,600,707	6,089,119	5,348,754	6,572,652	6,061,101	5,323,040

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**5. 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 2011	4,047,565	1,791,368	5,838,933	(5,113)	(20,601)	(25,714)	5,813,219
- change in accounting policy	-	(490,179)	(490,179)	-	-	-	(490,179)
- as restated at 1 July 2011	4,047,565	1,301,189	5,348,754	(5,113)	(20,601)	(25,714)	5,323,040
Projected change for inforce policies at 30 June 2011	354,588	(103,914)	250,674	-	863	863	251,537
Experience variance	107,656	12,725	120,381	-	150	150	120,531
New business	189,446	28,758	218,204	-	(1,084)	(1,084)	217,120
Discount rate change	9,329	10,080	19,409	-	(30)	(30)	19,379
Adjustment due to changes in assumptions:							
Mortality and morbidity	13,878	1,900	15,778	-	(430)	(430)	15,348
Lapse rate	(11,636)	(219)	(11,855)	-	(80)	(80)	(11,935)
Policy expenses and inflation	2,947	(4,526)	(1,579)	-	-	-	(1,579)
Other changes	4,367	(3,732)	635	-	(5)	(5)	630
Change in provision for outstanding claims	29,941	2,244	32,185	(505)	(1,183)	(1,688)	30,497
Change in net asset value							
attributable to unitholders	-	86,278	86,278	-	-	-	86,278
Change in AFS fair value reserves	(24,217)	-	(24,217)	-	-	-	(24,217)
Change in unallocated surplus	33,062	-	33,062	-	-	-	33,062
Deferred tax effects:							
- Change in AFS fair value reserves	1,410	-	1,410	-	-	-	1,410
At 30 June 2012	4,758,336	1,330,783	6,089,119	(5,618)	(22,400)	(28,018)	6,061,101

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**5. 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 2012	4,758,336	1,883,548	6,641,884	(5,618)	(22,400)	(28,018)	6,613,866
- change in accounting policy	-	(552,765)	(552,765)	-	-	-	(552,765)
- as restated at 1 July 2012	4,758,336	1,330,783	6,089,119	(5,618)	(22,400)	(28,018)	6,061,101
Projected change for inforce policies at 30 June 2012	261,997	(54,263)	207,734	-	364	364	208,098
Experience variance	71,999	(1,844)	70,155	-	248	248	70,403
New business	100,058	17,275	117,333	-	(665)	(665)	116,668
Discount rate change	(442)	(422)	(864)	-	9	9	(855)
Other changes	(1,793)	3,213	1,420	-	-	-	1,420
Change in provision for outstanding claims	(10,989)	(640)	(11,629)	(1,144)	1,151	7	(11,622)
Change in net asset value attributable to unitholders	-	59,730	59,730	-	-	-	59,730
Change in AFS fair value reserves	47,189	-	47,189	-	-	-	47,189
Change in unallocated surplus	23,953	-	23,953	-	-	-	23,953
Deferred tax effects:							
- Change in AFS fair value reserves	(3,433)	-	(3,433)	-	-	-	(3,433)
At 31 December 2012	5,246,875	1,353,832	6,600,707	(6,762)	(21,293)	(28,055)	6,572,652

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

6. 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:

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
Eligible Tier 1 capital		
- Share capital (paid up)	200,000	200,000
- Reserves, including retained earnings	2,420,431	2,261,887
Eligible Tier 2 capital		
- Eligible reserves	292,299	235,036
	<u>2,912,730</u>	<u>2,696,923</u>

7. CAPITAL COMMITMENTS

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

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
Authorised but not contracted for:		
Property and equipment	2,312	-
Intangible assets	948	948
	<u>3,260</u>	<u>948</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**8. 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
AS AT 31 DECEMBER 2012**

	Shareholders' Fund	Life Fund	Investment -linked Fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	2,534	89,627	-	-	92,161
Intangible assets	-	3,285	-	-	3,285
Investment properties	-	231,680	-	-	231,680
Financial investments	561,242	6,303,399	607,359	-	7,472,000
- HTM financial assets	-	401,893	-	-	401,893
- AFS financial assets	561,242	4,869,393	-	-	5,430,635
- HFT financial assets	-	-	607,359	-	607,359
- Loans and receivables	-	1,032,113	-	-	1,032,113
Derivative assets	74	5,949	205	-	6,228
Tax recoverable	4,337	-	3,463	-	7,800
Reinsurance assets	-	28,056	-	-	28,056
Insurance receivables	-	64,880	-	-	64,880
Other receivables	619,192	17,963	446	(615,799)	21,802
Non-current assets held-for-sale	55	-	-	-	55
Cash and cash equivalents	30,794	739,774	110,522	-	881,090
Total assets	1,218,228	7,484,613	721,995	(615,799)	8,809,037

HONG LEONG ASSURANCE BERHAD

(Company No.94613-X)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**8. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2012 (CONT'D)**

	Shareholders' Fund	Life Fund	Investment -linked Fund	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	890,859	-	-	-	890,859
Total equity	1,090,859	-	-	-	1,090,859
Insurance contract liabilities	-	5,883,712	716,995	-	6,600,707
Deferred tax liabilities	124,829	20,150	4,209	-	149,188
Tax payables	-	8,074	-	-	8,074
Insurance payables	-	45,505	-	-	45,505
Other payables	2,540	1,526,668	745	(615,799)	914,154
Derivative liabilities	-	504	46	-	550
Total policyholders' fund and liabilities	127,369	7,484,613	721,995	(615,799)	7,718,178
Total equity, policyholders' fund and liabilities	1,218,228	7,484,613	721,995	(615,799)	8,809,037

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**8. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 30 JUNE 2012**

	Shareholders' Fund	Life Fund	Investment -linked Fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Assets					
Property, plant and equipment	2,559	89,918	-	-	92,477
Intangible assets	-	3,881	-	-	3,881
Investment properties	-	231,680	-	-	231,680
Financial investments	422,321	5,870,064	539,814	-	6,832,199
- HTM financial assets	-	422,389	-	-	422,389
- AFS financial assets	422,321	4,623,998	-	-	5,046,319
- HFT financial assets	-	-	539,814	-	539,814
- Loans and receivables	-	823,677	-	-	823,677
Derivative assets	-	17	19	-	36
Tax recoverable	1,728	-	-	-	1,728
Reinsurance assets	-	28,018	-	-	28,018
Insurance receivables	-	61,550	-	-	61,550
Other receivables	619,292	11,738	3,298	(618,423)	15,905
Non-current assets held-for-sale	55	-	-	-	55
Cash and cash equivalents	144,485	706,060	120,236	-	970,781
Total assets	1,190,440	7,002,926	663,367	(618,423)	8,238,310

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**8. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 30 JUNE 2012 (CONT'D)**

	Shareholders' Fund	Life Fund	Investment -linked Fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Equity, policyholders' fund and liabilities					
Share capital	200,000	-	-	-	200,000
Reserves	822,288	-	-	-	822,288
Total equity	1,022,288	-	-	-	1,022,288
Insurance contract liabilities	-	5,431,854	657,265	-	6,089,119
Deferred tax liabilities	111,813	17,483	3,138	-	132,434
Tax payables	-	2,582	384	-	2,966
Insurance payables	-	48,887	-	-	48,887
Other payables	2,218	1,499,994	2,408	(618,423)	886,197
Dividend payable	54,000	-	-	-	54,000
Derivative liabilities	121	2,126	172	-	2,419
Total policyholders' fund and liabilities	168,152	7,002,926	663,367	(618,423)	7,216,022
Total equity, policyholders' fund and liabilities	1,190,440	7,002,926	663,367	(618,423)	8,238,310

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**8. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 1 JULY 2011**

	Shareholders' Fund	Life Fund	Investment -linked Fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Assets					
Property, plant and equipment	2,608	91,718	-	-	94,326
Intangible assets	-	1,968	-	-	1,968
Investment properties	-	231,680	-	-	231,680
Financial investments	251,983	5,116,250	469,982	-	5,838,215
- HTM financial assets	-	208,138	-	-	208,138
- AFS financial assets	251,983	4,192,276	-	-	4,444,259
- HFT financial assets	-	-	469,982	-	469,982
- Loans and receivables	-	715,836	-	-	715,836
Derivative assets	25	274	4	-	303
Reinsurance assets	-	25,714	-	-	25,714
Insurance receivables	-	43,837	-	-	43,837
Other receivables	559,947	20,876	2,524	(556,304)	27,043
Non-current assets held-for-sale	55	-	-	-	55
Cash and cash equivalents	307,223	610,614	105,543	-	1,023,380
Total assets	1,121,841	6,142,931	578,053	(556,304)	7,286,521

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**8. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 1 JULY 2011 (CONT'D)**

	Shareholders' Fund	Life Fund	Investment -linked Fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Equity, policyholders' fund and liabilities					
Share capital	200,000	-	-	-	200,000
Reserves	755,423	-	-	-	755,423
Total equity	955,423	-	-	-	955,423
Insurance contract liabilities	-	4,777,767	570,987	-	5,348,754
Deferred tax liabilities	101,754	23,926	4,824	-	130,504
Tax payables	9,546	7,499	1,303	-	18,348
Insurance payables	-	41,867	-	-	41,867
Other payables	1,107	1,290,126	916	(556,304)	735,845
Dividend payable	54,000	-	-	-	54,000
Derivative liabilities	11	1,746	23	-	1,780
Total policyholders' fund and liabilities	166,418	6,142,931	578,053	(556,304)	6,331,098
Total equity, policyholders' fund and liabilities	1,121,841	6,142,931	578,053	(556,304)	7,286,521

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**8. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2012**

	Share- holders' Fund RM'000	Life Fund RM'000	Investment- Linked Fund RM'000	Total RM'000
Operating revenue	10,073	1,053,739	66,497	1,130,309
Gross earned premiums	-	890,362	54,244	944,606
Premiums ceded to reinsurers	-	(28,062)	-	(28,062)
Net earned premiums	-	862,300	54,244	916,544
Investment income	10,073	163,377	12,253	185,703
Realised gains	6,522	50,571	6,698	63,791
Fair value (losses)/gains	(889)	(18,096)	13,389	(5,596)
Fees and commission income	-	119	-	119
Other operating income-net	944	4,570	-	5,514
Other revenue	16,650	200,541	32,340	249,531
Gross benefits and claims paid	-	(382,770)	(21,152)	(403,922)
Claims ceded to reinsurers	-	22,875	-	22,875
Gross change to contract liabilities	-	(419,730)	(59,730)	(479,460)
Change in contract liabilities to reinsurers	-	44	-	44
Net claims	-	(779,581)	(80,882)	(860,463)
Fees and commission expense	(101)	(165,464)	(3,882)	(169,447)
Management expenses	(251)	(50,114)	-	(50,365)
Other expenses	(352)	(215,578)	(3,882)	(219,812)
Profit from operation	16,298	67,682	1,820	85,800
Inter-fund transfer:				
From Life Fund to Shareholders' Fund	53,487	(53,487)	-	-
Profit before taxation	69,785	14,195	1,820	85,800
Taxation	(13,225)	(14,195)	(1,820)	(29,240)
Profit for the period	56,560	-	-	56,560

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**8. INSURANCE FUNDS (CONT'D)****UNAUDITED CONDENSED INCOME STATEMENT BY FUND
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011**

	Share- holders' Fund RM'000	Life Fund RM'000	Investment- Linked Fund RM'000	Total RM'000
Operating revenue	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)
Net earned premiums	-	668,834	44,630	713,464
Investment income	8,332	148,699	9,587	166,618
Realised gains	2,471	25,183	1,557	29,211
Fair value gains/(losses)	1,240	9,693	(32,200)	(21,267)
Fees and commission income	-	807	-	807
Other operating income-net	75	2,704	-	2,779
Other revenue	12,118	187,086	(21,056)	178,148
Gross benefits and claims paid	-	(290,661)	(18,286)	(308,947)
Claims ceded to reinsurers	-	23,142	-	23,142
Gross change to contract liabilities	-	(327,672)	(3,417)	(331,089)
Change in contract liabilities to reinsurers	-	63	-	63
Net claims	-	(595,128)	(21,703)	(616,831)
Fees and commission expense	(95)	(133,582)	(3,339)	(137,016)
Management expenses	(475)	(46,832)	-	(47,307)
Other expenses	(570)	(180,414)	(3,339)	(184,323)
Profit from operation	11,548	80,378	(1,468)	90,458
Inter-fund transfer:				
From Life Fund to Shareholders' Fund	63,681	(63,681)	-	-
Profit before taxation	75,229	16,697	(1,468)	90,458
Taxation	(15,002)	(16,697)	1,468	(30,231)
Profit for the period	60,227	-	-	60,227

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**9. CHANGE IN ACCOUNTING POLICY**

The following tables disclose the adjustments that have been made in accordance with the change in accounting policy on unallocated surplus and AFS reserves of non-participating funds in the Company's statement of financial position as at 1 July 2011 and 30 June 2012.

	As previously reported	Effects of note 1(a)	Restated balance
	RM'000	RM'000	RM'000
Statement of financial position			
<u>As at 1 July 2011</u>			
Equity			
Reserves	357,119	398,304	755,423
Liabilities			
Insurance contract liabilities	5,838,933	(490,179)	5,348,754
Deferred tax liabilities	38,629	91,875	130,504
<u>As at 30 June 2012</u>			
Equity			
Reserves	373,431	448,857	822,288
Liabilities			
Insurance contract liabilities	6,641,884	(552,765)	6,089,119
Deferred tax liabilities	28,526	103,908	132,434

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**9. CHANGE IN ACCOUNTING POLICY (CONT'D)**

The following tables disclose the adjustments effects of the change to each of the line items in the Company's income statement/statement of comprehensive income for the financial years ended 31 December 2011.

	As previously reported	Effects of note 1(a)	Restated balance
	RM'000	RM'000	RM'000
Gross change in contract liabilities	(394,770)	63,681	(331,089)
Surplus/profit before taxation	26,777	63,681	90,458
Surplus after taxation/profit before taxation	11,548	63,681	75,229
Taxation	(2,903)	(12,099)	(15,002)
Profit for the period	<u>8,645</u>	<u>51,582</u>	<u>60,227</u>
Other comprehensive income			
Change in available-for-sale reserves:			
Net gain/(loss) arising during the period	(7,130)	(13,155)	(20,285)
Net realised gain transferred to Income Statement	<u>(2,643)</u>	<u>-</u>	<u>(2,643)</u>
	(9,773)	(13,155)	(22,928)
Tax effects thereon	<u>2,443</u>	<u>2,236</u>	<u>4,679</u>
	<u>(7,330)</u>	<u>(10,919)</u>	<u>(18,249)</u>
Total comprehensive income for the period	<u>1,315</u>	<u>40,663</u>	<u>41,978</u>
Earnings per share (sen)	4.32	25.79	30.11

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

10 . SUBSEQUENT EVENTS

On 19 September 2012, the Company appointed Hong Leong Investment Bank Berhad("HLIB") to create and issue up to RM500 million in nominal value of Subordinated Notes ("Sub-Notes") under a proposed Subordinated Notes Programme to raise funds for general working capital and/or business operations purpose.

On 20 December 2012, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2013, the Company completed its RM500 million Sub-Notes issuance. The Sub-Notes were issued for a period of 12 years on a 12 non-callable 7 basis with a coupon rate of 4.5% per annum.

The Sub-Notes are classified as tier 2 capital under Risk-Based Capital Framework for Insurers.