

Company No.

689263	M
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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

2889A8/nm

Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30.6.2019			Audited 31.12.2018		
		Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000
ASSETS							
Property and equipment		1,102	-	1,102	1,078	-	1,078
Intangible assets		31,383	-	31,383	33,403	-	33,403
Right-of-use assets		45	-	45	-	-	-
Available-for-sale financial assets Fair value through profit or loss	12	319,593	899,442	1,210,036	334,522	838,310	1,164,280
financial assets	12	-	131,300	131,300	-	103,926	103,926
Financing and receivables		49,222	75,090	124,312	34,698	66,869	101,567
Takaful receivables		-	16,070	16,070	-	34,182	34,182
Retakaful assets	13	322	113,314	113,636	545	92,417	92,962
Other receivables		50,847	4,566	4,566	38,781	4,090	4,812
Current tax assets		1,825	(1)	1,824	3,348	-	3,348
Cash and bank balances		4,377	13,639	18,016	8,432	18,618	27,050
Total assets		458,716	1,253,420	1,652,290	454,807	1,158,412	1,566,608

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (CONTINUED)

	Note	30.6.2019			Audited 31.12.2018		
		Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000
EQUITY AND LIABILITIES							
Share capital		200,000	-	200,000	200,000	-	200,000
Available-for-sale reserve		11,561	-	11,561	3,467	-	3,467
Retained earnings		214,020	-	214,020	206,981	-	206,981
Total equity		425,581	-	425,581	410,448	-	410,448
LIABILITIES							
Takaful contract liabilities	14	1,061	1,171,081	1,163,143	1,916	1,067,695	1,061,059
Takaful payables		92	13,612	13,704	100	41,578	41,678
Lease liabilities		46	-	46	-	-	-
Other payables		28,419	64,538	42,110	41,406	46,325	49,672
Expense liabilities		73	-	73	121	-	121
Deferred tax liabilities		3,444	4,189	7,633	816	353	1,169
Current tax liabilities		-	-	-	-	2,461	2,461
Total liabilities		33,135	1,253,420	1,226,709	44,359	1,158,412	1,156,160
TOTAL EQUITY AND LIABILITIES		458,716	1,253,420	1,652,290	454,807	1,158,412	1,566,608

Note:

In preparing the Company-level financial statements, balances and transactions of Shareholders' fund and Takaful funds are amalgamated with elimination of interfund balances and transactions.

The accompanying notes are an integral part of these financial statements.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	<u>6 months period ended 30.6.2019</u>			<u>6 months period ended 30.6.2018</u>		
	<u>Share- holders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>	<u>Share- holders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>
<u>Note</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gross benefits and claims paid	(379)	(89,758)	(90,137)	-	(94,990)	(94,990)
Claims ceded to retakaful operators	-	32,243	32,243	-	36,015	36,015
Gross change in Takaful contract liabilities	855	(66,231)	(65,376)	-	(53,669)	(53,669)
Change in Takaful contract liabilities ceded to retakaful operators	(223)	20,897	20,674	-	10,607	10,607
	<u>253</u>	<u>(102,849)</u>	<u>(102,596)</u>	<u>-</u>	<u>(102,037)</u>	<u>(102,037)</u>
Surplus sharing with Takaful operator	-	(16,316)	-	-	(15,392)	-
Wakalah expenses	-	(78,946)	-	-	(99,734)	-
Realised losses	-	-	-	-	(2,062)	(2,062)
Net fair value losses	-	-	-	(1)	(9,259)	(9,260)
Commission expenses	(26,808)	-	(26,808)	(29,079)	-	(29,079)
Management expenses	(58,389)	-	(58,389)	(70,607)	-	(70,607)
Other operating expenses	(7,420)	(3,078)	(8,766)	(5,312)	(2,228)	(6,363)
Finance cost	(2)	-	(2)	-	-	-
	<u>(92,619)</u>	<u>(98,340)</u>	<u>(93,965)</u>	<u>(104,999)</u>	<u>(128,675)</u>	<u>(117,371)</u>
Total expenses	(92,366)	(201,189)	(196,561)	(104,999)	(230,712)	(219,408)

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	Note	<u>6 months period ended 30.6.2019</u>			<u>6 months period ended 30.6.2018</u>		
		Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000
Profit before taxation		13,364	1,621	14,985	35,871	148	36,019
Tax expense attributable to participants		-	(1,621)	(1,621)	-	(148)	(148)
Profit before taxation attributable to Shareholders		13,364	-	13,364	35,871	-	35,871
Taxation	15	(6,323)	(1,621)	(7,944)	(6,650)	(148)	(6,798)
Tax expense attributable to participants		-	1,621	1,621	-	148	148
Tax expense attributable to Shareholders		(6,323)	-	(6,323)	(6,650)	-	(6,650)
Net profit for the financial period from continuing operations		7,041	-	7,041	29,221	-	29,221
Discontinued operations:							
Net profit for the financial period from discontinued operations	16	-	-	-	3,538	-	3,538
Net profit for the financial period		7,041	-	7,041	32,759	-	32,759
Basic earnings per share (sen)		-	-	7.04	-	-	32.76

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	<u>6 months period ended 30.6.2019</u>			<u>6 months period ended 30.6.2018</u>		
	<u>Share- holders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>	<u>Share- holders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss):						
Items that may be subsequently reclassified to profit or loss:						
Fair value change on available-for-sale financial assets:						
- Revaluation	10,482	40,682	51,163	(2,238)	(3,676)	(5,914)
- Transfer to profit or loss upon disposal	168	(296)	(127)	128	62	190
- Gross fair value changes	10,650	40,386	51,036	(2,110)	(3,614)	(5,724)
- Deferred taxation	(2,556)	(3,231)	(5,787)	506	290	796
- Net fair value changes	8,094	37,155	45,249	(1,604)	(3,324)	(4,928)
Changes in Takaful contract liabilities arising from unrealised net fair value changes	-	(37,155)	(37,155)	-	3,324	3,324
Other comprehensive income/(loss) for the financial period, net of tax	8,094	-	8,094	(1,604)	-	(1,604)
Comprising:						
- Continuing operations	8,094	-	8,094	(1,604)	-	(1,604)
- Discontinued operations	-	-	-	-	-	-
	8,094	-	8,094	(1,604)	-	(1,604)

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	<u>6 months period ended 30.6.2019</u>			<u>6 months period ended 30.6.2018</u>		
	<u>Share- holders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>	<u>Share- holders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>
<u>Note</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Total comprehensive income for the financial period	<u>15,135</u>	<u>-</u>	<u>15,135</u>	<u>31,155</u>	<u>-</u>	<u>31,155</u>
Comprising:						
- Continuing operations	15,135	-	15,135	27,617	-	27,617
- Discontinued operations	-	-	-	3,538	-	3,538
	<u>15,135</u>	<u>-</u>	<u>15,135</u>	<u>31,155</u>	<u>-</u>	<u>31,155</u>

Note: In preparing the Company-level financial statements, balances and transactions of Shareholders' fund and Takaful funds are amalgamated with elimination of interfund balances and transactions.

The accompanying notes are an integral part of these financial statements.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	<u>Non-distributable</u>		Available- Retained earnings RM'000	<u>Total</u> RM'000
	Share capital RM'000	for-sale reserve RM'000		
As at 1 January 2019	200,000	3,467	206,981	410,448
Effects on adoption of MFRS 16 (note 18)	-	-	(2)	(2)
Total comprehensive income for the financial period	-	8,094	7,041	15,135
As at 30 June 2019	<u>200,000</u>	<u>11,561</u>	<u>214,020</u>	<u>425,581</u>
As at 1 January 2018	200,000	2,634	175,291	377,925
Total comprehensive income for the financial period	-	(1,604)	32,759	31,155
As at 30 June 2018	<u>200,000</u>	<u>1,030</u>	<u>208,050</u>	<u>409,080</u>

The accompanying notes are an integral part of these financial statements.

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	6 months period ended 30.6.2019 RM'000	6 months period ended 30.6.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period		
Continuing operations	7,041	29,221
Discontinued operations	-	3,538
	<u>7,041</u>	<u>32,759</u>
Adjustments for:		
Depreciation of property and equipment	48	-
Amortisation of intangible assets	2,058	1,898
Depreciation of right-of-use assets	34	-
(Accretion of discounts)/amortisation of premiums - net	(16)	142
Realised (gains)/losses on disposal of financial assets	(1,158)	2,263
Profit income	(28,359)	(27,009)
Dividend income	(991)	(1,670)
Interest on lease liabilities	2	-
Net fair value (gains)/losses	(8,982)	9,260
Provision for expense liability	(48)	(18,317)
Allowance for impairment loss	-	9
Writeback of allowance for impairment loss	(10)	-
Decrease in Shareholder's fund Takaful contract liabilities	(855)	-
Decrease in General Takaful contract liabilities	-	(13,184)
Increase in Family Takaful contract liabilities	66,231	53,669
Taxation	7,944	6,267
	<u>42,939</u>	<u>46,087</u>
Profit from operations before changes in operating assets and liabilities		
Proceeds from disposal and maturity of investments	133,859	167,500
Purchase of investments	(146,295)	(151,357)
Decrease in other receivables	246	1,132
Decrease in Takaful receivables	18,122	7,659
Increase in financing and receivables	(22,860)	(63,595)
Increase in retakaful assets	(20,674)	(7,116)
(Decrease)/increase in other payables	(6,022)	1,642
Decrease in Takaful payables	(27,974)	(11,654)
	<u>(28,659)</u>	<u>(9,702)</u>
Interest paid	(2)	-
Income tax paid	(5,744)	(5,577)
Profit income received	28,525	27,305
Dividend income received	991	1,670
	<u>(4,889)</u>	<u>13,696</u>
Net cash generated (used in)/from operating activities		

SUN LIFE MALAYSIA TAKAFUL BERHAD
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	6 months period ended <u>30.6.2019</u> RM'000	6 months period ended <u>30.6.2018</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(110)	(376)
Purchase of intangible assets	(4,000)	(8,015)
Net cash used in investing activities	<u>(4,110)</u>	<u>(8,391)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(35)	-
Net cash used in financing activities	<u>(35)</u>	<u>-</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,034)	5,305
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>27,050</u>	<u>21,488</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u><u>18,016</u></u>	<u><u>26,793</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances		
- Continuing operations	18,016	22,892
- Discontinued operations	-	3,901
	<u>18,016</u>	<u>26,793</u>

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

The accompanying notes are an integral part of these financial statements.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business. There have been no significant changes in the nature of these activities during the six months period ended 30 June 2019 other than as disclosed in Note 16 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at the 11th Floor, No. 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at the 8th Floor, No. 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is also a financial holding company. All the above mentioned companies are incorporated in Malaysia.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standard (“MFRS”) 134, “Interim Financial Reporting” which do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2018.

Following the adoption of MFRS, a Takaful Operator is required to present its financial statements for itself and the Takaful funds it manages.

In preparing the Company’s unaudited interim financial statements as a whole, the assets, liabilities, income and expenses of the Takaful fund are combined with those of the Takaful Operator. Interfund balances and transactions are eliminated in arriving at the Company’s interim financial statements.

The inclusion of separate financial information of the Takaful funds and the Takaful Operator together with the financial information of the Company as a whole in the statement of financial position, the statement of comprehensive income as well as certain relevant notes to the interim financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to the Islamic Financial Services Act, 2013 in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for transactions and events in similar circumstances.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of interim financial statements in conformity with 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 interim financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

(a) Standards, amendments to published standards and interpretations that are effective:

New standards that are effective and have been adopted

The amendments and improvements to published standards and interpretations that are relevant and have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2019 are as follows:

- (i) MFRS 16 Leases
- (ii) New IC Interpretation 23 Uncertainty over Income Tax Treatments

The adoption of these amendments did not have any material impact to the Company's financial statements other than as disclosed in Note 18 of the effects on adoption of MFRS 16 Leases.

New standard that is effective and has been deferred for adoption

- Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 "Insurance Contracts" effective for annual periods beginning on or after 1 January 2018.

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 "Financial Instruments" before the application of MFRS 17, the new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 4 "Insurance Contracts", the related liabilities from insurance contracts are often measured on amortised cost basis.

The amendments provide two different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are effective:
(continued)

New standard that is effective and has been deferred for adoption (continued)

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

The Company's business activity are predominately insurance and hence, qualify for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021, which is in line with the adoption of MFRS 17 Insurance Contracts. The additional disclosures are as set out in Note 19.

(b) Standards, amendments to published standards and interpretation to existing standards that are applicable to the Company but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019. None of these are expected to have a significant effect on the financial statements of the Company, except for the following set out below:

- MFRS 17 "Insurance Contracts" (effective from 1 January 2021) replaces MFRS 4 "Insurance Contracts"

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 "Revenue". An entity is allowed to account for financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretation to existing standards that are applicable to the Company but not yet effective: (continued)

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (“CSM”) representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverage:

- i) Simplified Premium Allocation Approach if the insurance coverage period is a year or less
- ii) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Company is in the process of assessing the financial impact of this standard onto its financial statements.

- The Conceptual Framework for Financial Reporting (“Framework”) effective 1 January 2020

The Framework was revised with the primary purpose to assist the IASB to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS, and does not override any IFRSs.

Key changes to the Framework are as follows:

- (i) Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management’s stewardship.

SUN LIFE MALAYSIA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretation to existing standards that are applicable to the Company but not yet effective: (continued)

- (ii) Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and "substance over form" concept to ensure faithful representation of economic phenomenon.
- (iii) Clarification on reporting entity for financial reporting- introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.
- (iv) Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.
- (v) Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added.
- (vi) Measurement - explanation of factors to be considered when selecting a measurement basis have been provided.
- (vii) Presentation and disclosure - clarification that statement of profit or loss ('P&L') is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to P&L is required if this results in more relevant information or a more faithful representation of P&L.

Amendments to References to the Conceptual Framework in MFRS Standards

The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of the Conceptual Framework these Standards refer to, for which the effective date above applies. The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

The Company is in the process of assessing the financial impact of this standard onto its financial statements.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretation to existing standards that are applicable to the Company but not yet effective: (continued)

- Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108) effective 1 January 2020

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments also:

- clarify that an entity assesses materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transactions are scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information are hidden by immaterial information.
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' who must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

The Company is in the process of assessing the financial impact of this standard onto its financial statements.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

3 SEASONALITY OF OPERATIONS

The business operations of the Company were not materially affected by any seasonal or cyclical fluctuations during the six months period ended 30 June 2019.

4 CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in the prior financial year that have a material effect in the six months period ended 30 June 2019.

5 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence during the six months period ended 30 June 2019.

6 ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES

There were no issues, repurchases and repayments of debts and equity securities during the six months period ended 30 June 2019.

7 DIVIDENDS PAID

No dividends have been paid or declared by the Company since the end of the previous financial year.

8 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no material capital commitments and contingent liabilities that have arisen during the six months period ended 30 June 2019.

9 SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant events and transactions that have not been reflected in the financial statements for the six months period ended 30 June 2019.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

10 SUBSEQUENT EVENTS

There were no material events after the interim period that are required to be reflected in the financial statements for the six months period ended 30 June 2019.

11 EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company during the six months period ended 30 June 2019.

12 FINANCIAL ASSETS

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>30.6.2019</u>			
Government Investment Issues	154,584	152,789	307,373
Cagamas Sukuk	-	10,490	10,490
Unquoted Sukuk	156,010	736,163	892,173
Quoted equity securities	-	66,941	66,941
Unit trust funds	-	64,359	64,359
Investments in investment-linked funds	8,999	-	-
Total	<u>319,593</u>	<u>1,030,742</u>	<u>1,341,336</u>
<u>Audited</u>			
<u>31.12.2018</u>			
Government Investment Issues	169,780	152,525	322,305
Cagamas Sukuk	-	10,203	10,203
Unquoted Sukuk	156,190	675,582	831,772
Quoted equity securities	-	59,076	59,076
Unit trust funds	-	44,850	44,850
Investments in investment-linked funds	8,552	-	-
Total	<u>334,522</u>	<u>942,236</u>	<u>1,268,206</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

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

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>30.6.2019</u>			
AFS	319,593	899,442	1,210,036
FVTPL – designated upon initial Recognition	-	131,300	131,300
Total	<u>319,593</u>	<u>1,030,742</u>	<u>1,341,336</u>
<u>Audited</u> <u>31.12.2018</u>			
AFS	334,522	838,310	1,164,280
FVTPL – designated upon initial recognition	-	103,926	103,926
Total	<u>334,522</u>	<u>942,236</u>	<u>1,268,206</u>

The following financial assets are expected to be realised after 12 months:

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>30.6.2019</u>			
AFS	<u>300,537</u>	<u>856,201</u>	<u>1,156,738</u>
<u>Audited</u> <u>31.12.2018</u>			
AFS	<u>312,192</u>	<u>800,135</u>	<u>1,112,327</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(a) AFS

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>30.6.2019</u>			
Government Investment Issues	154,584	152,789	307,373
Cagamas Sukuk	-	10,490	10,490
Unquoted Sukuk	156,010	736,163	892,173
Investments in investment-linked funds	8,999	-	-
Total	<u>319,593</u>	<u>899,442</u>	<u>1,210,036</u>
<u>Audited</u> <u>31.12.2018</u>			
Government Investment Issues	169,780	152,525	322,305
Cagamas Sukuk	-	10,203	10,203
Unquoted Sukuk	156,190	675,582	831,772
Investments in investment-linked funds	8,552	-	-
Total	<u>334,522</u>	<u>838,310</u>	<u>1,164,280</u>

(b) FVTPL – designated upon initial recognition

	<u>Family Takaful</u> <u>fund/Company</u> <u>RM'000</u>
<u>30.6.2019</u>	
Quoted equity securities	66,941
Unit trust funds	64,359
Total	<u>131,300</u>
<u>Audited</u> <u>31.12.2018</u>	
Quoted equity securities	59,076
Unit trust funds	44,850
Total	<u>103,926</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	Available-for-sale		FVTPL		Company RM'000
	Share- holders' fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
1 January 2019	334,522	838,310	-	103,926	1,268,206
Purchases	10,209	66,428	-	69,658	146,295
Maturities	-	(5,003)	-	-	(5,003)
Disposals	(35,340)	(41,092)	-	(49,931)	(126,363)
Fair value gains recorded in:					
Profit or loss	-	-	-	7,647	7,647
Other comprehensive income	10,650	40,386	-	-	51,036
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	(447)
Movement in accrued profit	(552)	501	-	-	(51)
Accretion/(amortisation) adjustments	104	(88)	-	-	16
At 30 June 2019	<u>319,593</u>	<u>899,442</u>	<u>-</u>	<u>131,300</u>	<u>1,341,336</u>

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12 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	Available-for-sale		FVTPL		Company RM'000
	Share- holders' fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
At 1 January 2018	295,092	773,743	11,741	99,457	1,171,213
Purchases	38,151	304,278	393	81,511	424,333
Maturities	-	(23,206)	-	-	(23,206)
Disposals	-	(226,507)	(12,111)	(61,736)	(300,354)
Fair value losses/(gains) recorded in:					
Profit or loss	-	-	(23)	(15,306)	(15,329)
Other comprehensive income	1,096	8,814	-	-	9,910
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	268
Movement in accrued profit	355	1,174	-	-	1,529
(Amortisation)/accretion adjustments	(172)	14	-	-	(158)
At 31 December 2018	<u>334,522</u>	<u>838,310</u>	<u>-</u>	<u>103,926</u>	<u>1,268,206</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as profit rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which are not market observable, including assumptions about risk.

There are no transfers between Level 1 and 2 during the six months period ended 30 June 2019.

The following table presents the Company's financial assets that are carried at fair value as at 30 June 2019:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>30.6.2019</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	154,584	154,584
- Unquoted Sukuk	-	156,010	156,010
- Investments in investment-linked funds	8,999	-	8,999
	<u>8,999</u>	<u>310,594</u>	<u>319,593</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>30.6.2019 (continued)</u>			
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	152,789	152,789
- Cagamas Sukuk	-	10,490	10,490
- Unquoted Sukuk	-	736,163	736,163
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	66,941	-	66,941
- Unit trust funds	64,359	-	64,359
	<u>131,300</u>	<u>899,442</u>	<u>1,030,742</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	307,373	307,373
- Cagamas Sukuk	-	10,490	10,490
- Unquoted Sukuk	-	892,173	892,173
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	66,941	-	66,941
- Unit trust funds	64,359	-	64,359
	<u>131,300</u>	<u>1,210,036</u>	<u>1,341,336</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
Audited <u>31.12.2018</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	169,780	169,780
- Unquoted Sukuk	-	156,190	156,190
- Investments in investment-linked funds	8,552	-	8,552
	<u>8,552</u>	<u>325,970</u>	<u>334,522</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	152,525	152,525
- Cagamas Sukuk	-	10,203	10,203
- Unquoted Sukuk	-	675,582	675,582
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	59,076	-	59,076
- Unit trust funds	44,850	-	44,850
	<u>103,926</u>	<u>838,310</u>	<u>942,236</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	322,305	322,305
- Cagamas Sukuk	-	10,203	10,203
- Unquoted Sukuk	-	831,772	831,772
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	59,076	-	59,076
- Unit trust funds	44,850	-	44,850
	<u>103,926</u>	<u>1,164,280</u>	<u>1,268,206</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

13 RETAKAFUL ASSETS

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>30.06.2019</u>			
Retakaful of Takaful contracts			
- Takaful contract liabilities (note 14)	322	113,314	113,636
	<u>322</u>	<u>113,314</u>	<u>113,636</u>
Receivable within 12 months	239	34,938	35,177
Receivable after 12 months	83	78,376	78,459
	<u>322</u>	<u>113,314</u>	<u>113,636</u>
	<u>322</u>	<u>113,314</u>	<u>113,636</u>
Audited			
<u>31.12.2018</u>			
Retakaful of Takaful contracts			
- Takaful contract liabilities (note 15)	545	92,417	92,962
	<u>545</u>	<u>92,417</u>	<u>92,962</u>
Receivable within 12 months	464	26,521	26,985
Receivable after 12 months	81	65,896	65,977
	<u>545</u>	<u>92,417</u>	<u>92,962</u>
	<u>545</u>	<u>92,417</u>	<u>92,962</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

14 TAKAFUL CONTRACT LIABILITIES

	30.06.2019			Audited 31.12.2018		
	Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross	1,061	1,171,081	1,163,143	1,916	1,067,695	1,061,059
Retakaful (note 13)	(322)	(113,314)	(113,636)	(545)	(92,417)	(92,962)
Net	<u>739</u>	<u>1,057,767</u>	<u>1,049,507</u>	<u>1,371</u>	<u>975,278</u>	<u>968,097</u>
Current	549	131,263	131,812	1,168	141,380	142,548
Non-current	190	926,504	917,695	203	833,898	825,549
	<u>739</u>	<u>1,057,767</u>	<u>1,049,507</u>	<u>1,371</u>	<u>975,278</u>	<u>968,097</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

14 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities

The Family Takaful contract liabilities and its movements are further analysed as follows:

	30.6.2019			Audited 31.12.2018		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
Certificate holders' liabilities	987,260	(88,957)	898,303	956,930	(76,487)	880,443
Net asset value attributable to certificate holders	62,684	-	62,684	43,643	-	43,643
Actuarial liabilities	1,049,944	(88,957)	960,987	1,000,573	(76,487)	924,086
Claims liabilities	49,148	(24,357)	24,791	35,593	(15,930)	19,663
Unallocated surplus	27,914	-	27,914	24,609	-	24,609
Available-for-sale fair value adjustment						
- gross	47,908	-	47,908	7,522	-	7,522
- deferred tax	(3,833)	-	(3,833)	(602)	-	(602)
- net	44,075	-	44,075	6,920	-	6,920
	<u>1,171,081</u>	<u>(113,314)</u>	<u>1,057,767</u>	<u>1,067,695</u>	<u>(92,417)</u>	<u>975,278</u>

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NOTES TO THE FINANCIAL STATEMENTS
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14 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

The Family Takaful contract liabilities and its movements are further analysed as follows:
(continued)

<u>30.6.2019</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2019	1,067,695	(92,417)	975,278
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	13,858	(33,681)	(19,823)
Benefits	(84,624)	40,169	(44,455)
Investment returns	22,307	(2,477)	19,830
Others	(6,318)	690	(5,628)
Experience variance on inforce Takaful certificates	12,925	(1,000)	11,925
Reserve on new Takaful certificates	68,440	(12,240)	56,200
Miscellaneous	3,742	(3,931)	(189)
Movement in net asset value attributable to certificate holders	19,041	-	19,041
Movement in claims liabilities	13,555	(8,427)	5,128
Movement in unallocated surplus	3,305	-	3,305
Movement in AFS fair value adjustment	37,155	-	37,155
At 30 June 2019	<u>1,171,081</u>	<u>(113,314)</u>	<u>1,057,767</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

14 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

The Family Takaful contract liabilities and its movements are further analysed as follows:
(continued)

<u>Audited</u> 31.12.2018	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2018	997,762	(87,260)	910,502
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	26,514	(60,925)	(34,411)
Benefits	(144,216)	74,838	(69,378)
Investment returns	34,000	(2,364)	31,636
Others	(13,217)	(1,072)	(14,289)
Experience variance on inforce Takaful certificates	(11,052)	2,176	(8,876)
Reserve on new Takaful certificates	150,661	(25,791)	124,870
Miscellaneous	(1,594)	10,425	8,831
Movement in net asset value attributable to certificate holders	17,418	-	17,418
Movement in claims liabilities	11,788	(2,444)	9,344
Movement in unallocated surplus	(8,478)	-	(8,478)
Movement in AFS fair value adjustment	8,109	-	8,109
At 31 December 2018	<u>1,067,695</u>	<u>(92,417)</u>	<u>975,278</u>

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14 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) Shareholders' Takaful contract liabilities

The Shareholders' Takaful contract liabilities and its movements are further analysed as follows:

	30.06.2019			Audited 31.12.2018		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Provision for IBNR	688	(274)	414	1,342	(497)	845
Provision for claims reported by certificate holders	373	(48)	325	574	(48)	526
Provision for outstanding claims (i)	1,061	(322)	739	1,916	(545)	1,371
	<u>1,061</u>	<u>(322)</u>	<u>739</u>	<u>1,916</u>	<u>(545)</u>	<u>1,371</u>

(i) Provision for outstanding claims

	30.06.2019			Audited 31.12.2018		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
At 1 January	1,916	(545)	1,371	-	-	-
Other movements in claims incurred in prior accident years	(476)	223	(253)	-	-	-
Claims paid during the financial year	(379)	-	(379)	-	-	-
Provision for IBNR transfer to shareholders' fund	-	-	-	1,342	(497)	845
Provision for outstanding claims transfer to shareholders' fund	-	-	-	574	(48)	526
At 30 June/ 31 December	<u>1,061</u>	<u>(322)</u>	<u>739</u>	<u>1,916</u>	<u>(545)</u>	<u>1,371</u>

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NOTES TO THE FINANCIAL STATEMENTS
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14 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Takaful contract liabilities at Company level

	30.6.2019			Audited 31.12.2018		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Family Takaful fund (note 14(a))	1,171,081	(113,314)	1,057,767	1,067,695	(92,417)	975,278
Shareholders' fund (note 14(b))	1,061	(322)	739	1,916	(545)	1,371
	<u>1,172,142</u>	<u>(113,636)</u>	<u>1,058,506</u>	<u>1,069,611</u>	<u>(92,962)</u>	<u>976,649</u>
Elimination of Shareholders' fund fund investment in investment-linked funds	(8,999)	-	(8,999)	(8,552)	-	(8,552)
Total	<u><u>1,163,143</u></u>	<u><u>(113,636)</u></u>	<u><u>1,049,507</u></u>	<u><u>1,061,059</u></u>	<u><u>(92,962)</u></u>	<u><u>968,097</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

15 TAXATION

	30.6.2019				30.6.2018			
	Continuing operations			Discontinued operations	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tax expense on the profit for the financial period								
Income tax:								
Current financial period	6,250	1,016	7,266	-	5,792	910	6,702	(531)
Deferred tax:								
Relating to origination and reversal of temporary differences	73	605	678	-	858	(762)	96	(3)
	<u>6,323</u>	<u>1,621</u>	<u>7,944</u>	<u>-</u>	<u>6,650</u>	<u>148</u>	<u>6,798</u>	<u>(534)</u>

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15 TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory income tax rate to the effective income tax rate of the Company is as follows:

	<u>30.6.2019</u>	<u>Company</u> <u>30.6.2018</u>
	RM'000	RM'000
Profit before taxation attributable to Shareholders	13,364	35,871
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	3,207	8,609
Income not subject to tax	(18,979)	(27,914)
Expenses not deductible for tax purposes	22,095	25,955
Tax expense attributable to participants	1,621	148
Tax expense for the financial period	<u>7,944</u>	<u>6,798</u>

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NOTES TO THE FINANCIAL STATEMENTS
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16 NET PROFIT FOR THE FINANCIAL PERIOD FROM DISCONTINUED OPERATIONS

The Islamic Financial Services Act 2013 (IFSA) required all composite Takaful Operators to segregate their composite licences into separate Family Takaful and General Takaful licences by 1 July 2018. In compliance with this Act, the Company had relinquished its composite Takaful Licence and was granted a Family Takaful licence by the Minister of Finance to conduct its Family Takaful business.

Accordingly, the results of the General Takaful business in the statement of comprehensive income has been classified as discontinued operations.

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows:

(i) Statement of Comprehensive Income

	30.6.2019			30.6.2018		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contribution	-	-	-	-	-	17,926
Contribution ceded to retakaful operators	-	-	-	-	-	(3,710)
Net earned contribution	-	-	-	-	-	14,216
Wakalah income	-	-	-	9,456	9,456	-
Surplus sharing from General Takaful fund	-	-	-	3,713	3,713	-
Investment income	-	-	-	-	-	659
Other operating income	-	-	-	1,655	1,655	70
Total income	-	-	-	14,824	14,824	14,945

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

16 NET PROFIT FOR THE FINANCIAL PERIOD FROM DISCONTINUED OPERATIONS SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	30.6.2019			30.6.2018		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross benefits and claims paid	-	-	-	-	-	(4,200)
Claims ceded to retakaful operators	-	-	-	-	-	1,622
Gross change in Takaful contract liabilities	-	-	-	-	-	2,793
Change in Takaful contract liabilities ceded to retakaful operators	-	-	-	-	-	(2,324)
	-	-	-	-	-	(2,109)
Surplus sharing with Takaful operator	-	-	-	-	-	(3,713)
Wakalah expenses	-	-	-	-	-	(9,456)
Realised losses	-	-	-	-	-	(201)
Commission expenses	-	-	-	(6,174)	(6,174)	-
Management expenses	-	-	-	(5,109)	(5,109)	-
Other operating expenses	-	-	-	-	-	-
	-	-	-	(11,283)	(11,283)	(13,370)
Total expenses	-	-	-	(11,283)	(11,283)	(15,479)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

16 NET PROFIT FOR THE FINANCIAL PERIOD FROM DISCONTINUED OPERATIONS (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	30.6.2019			30.6.2018		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Shareholders' fund	Company	General Takaful fund	Shareholders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	-	-	-	3,541	3,541	(534)
Tax income attributable to participants	-	-	-	-	-	534
Profit before taxation attributable to Shareholders	-	-	-	3,541	3,541	-
Taxation	-	-	-	(3)	(3)	534
Tax income attributable to participants	-	-	-	-	-	(534)
Tax expense attributable to Shareholders	-	-	-	(3)	(3)	-
Net profit for the financial period	-	-	-	3,538	3,538	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

16 NET PROFIT FOR THE FINANCIAL PERIOD FROM DISCONTINUED OPERATIONS SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	30.6.2019			30.6.2018		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Shareholders' fund	Company	General Takaful fund	Shareholders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income:						
Items that may be subsequently reclassified to profit or loss:						
Fair value changes on available-for-sale financial assets:						
- Revaluation	-	-	-	-	-	103
- Transfer to profit or loss upon disposal	-	-	-	-	-	(52)
- Gross fair value changes	-	-	-	-	-	51
- Deferred taxation	-	-	-	-	-	(13)
- Net fair value changes	-	-	-	-	-	38

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

16 NET PROFIT FOR THE FINANCIAL PERIOD FROM DISCONTINUED OPERATIONS SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	30.6.2019			30.6.2018		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Shareholders' fund	Company	General Takaful fund	Shareholders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Changes in Takaful contract liabilities arising from unrealised net fair value changes	-	-	-	-	-	(38)
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	3,538	3,538	-

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

17 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2019, as prescribed under the Risk Based Capital Framework is provided below:

	<u>30.6.2019</u> RM'000	Audited <u>31.12.2018</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	200,000	200,000
Retained earnings	201,620	206,981
Eligible contract liabilities	44,423	11,444
	<u>446,043</u>	<u>418,425</u>
<u>Tier 2 Capital</u>		
Eligible reserves	19,959	4,854
Amounts deducted from capital	(32,383)	(34,403)
Total capital available	<u><u>433,619</u></u>	<u><u>388,876</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

18 EFFECTS ON ADOPTION OF MFRS 16 LEASES

The Company have adopted MFRS 16 Leases effective 1 January 2019. MFRS 16 replaces 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 a 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 asset representing its right to use the underlying asset and a lease liability representing its obligation to make future lease payments.

Effective 1 January 2019, a lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company elected to use the exemptions under MFRS 16 on lease contracts with lease terms of 12 months or less, and lease contracts for which the lease assets are of low value.

Impacts of adoption of MFRS 16

The Company applied MFRS 16 using the modified retrospective approach and measured the right-of-use assets retrospectively using the discount rate at the date of transition, which equals to the lease liabilities as at 1 January 2019 with no restatement of comparative numbers. The reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019.

The following table set out the financial impact arising from the adoption of MFRS 16 on 1 January 2019:

<u>Shareholders' fund/Company</u>	<u>Right-of- use assets</u> RM'000	<u>Lease liabilities</u> RM'000	<u>Retained earnings</u> RM'000
Closing balance as at 31 December 2018	-	-	(206,981)
Effects on adoption of MFRS 16:			
- Recognition of right-of-use	78	-	(78)
- Recognition of lease liabilities	-	(80)	80
	<u>78</u>	<u>(80)</u>	<u>2</u>
Opening balance as at 1 January 2019	<u>78</u>	<u>(80)</u>	<u>(206,979)</u>

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18 EFFECTS ON ADOPTION OF MFRS 16 LEASES (CONTINUED)

The reconciliation between the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019 is as follows:

<u>Shareholders' fund/Company</u>	<u>2019</u> RM'000
Operating lease commitments disclosed as at 31 December 2018	85
Present value of operating lease commitment (discounted using borrowing rate)	80
Lease liabilities recognised as at 1 January 2019	<u>80</u>

19 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flow characteristics and credit exposure of the financial assets. The following table presents the Company's financial assets by their contractual cash flow characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI") or other than SPPI:

<u>Fair value as at 30 June 2019</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial assets</u> RM'000	<u>Total*</u> RM'000
<u>Shareholders' fund</u>			
Financial assets	310,594	8,999	319,592
Investments in investment-linked funds	-	8,999	8,999
Government Investment Issues	154,584	-	154,584
Unquoted Sukuk	156,010	-	156,010
Financing and receivables	49,222	-	49,222
Other receivables	50,847	-	50,847
Cash and bank balances	4,377	-	4,377
	<u>415,040</u>	<u>8,999</u>	<u>424,039</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

19 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT
(CONTINUED)

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
<u>Fair value as at 30 June 2019</u>			
<u>Family Takaful fund</u>			
Financial assets	899,442	131,300	1,030,742
Quoted equity securities	-	66,941	66,941
Unit trust funds	-	64,359	64,359
Government Investment Issues	152,789	-	152,789
Cagamas Sukuk	10,490	-	10,490
Unquoted Sukuk	736,163	-	736,163
Financing and receivables	75,090	-	75,090
Other receivables	4,566	-	4,566
Cash and bank balances	13,639	-	13,639
	<u>992,737</u>	<u>131,300</u>	<u>1,124,037</u>
<u>Company</u>			
Financial assets	1,210,036	131,300	1,341,336
Quoted equity securities	-	66,941	66,941
Unit trust funds	-	64,359	64,359
Government Investment Issues	307,373	-	307,373
Cagamas Sukuk	10,490	-	10,490
Unquoted Sukuk	892,173	-	892,173
Financing and receivables	124,312	-	124,312
Other receivables	4,566	-	4,566
Cash and bank balances	18,016	-	18,016
	<u>1,356,930</u>	<u>131,300</u>	<u>1,488,230</u>

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19 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT
(CONTINUED)

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Audited			
<u>Fair value as at 31 December 2018</u>			
<u>Shareholders' fund</u>			
Financial assets	325,970	8,552	334,522
Investments in investment-linked funds	-	8,552	8,552
Government Investment Issues	169,780	-	169,780
Unquoted Sukuk	156,190	-	156,190
Financing and receivables	34,698	-	34,698
Other receivables	38,781	-	38,781
Cash and bank balances	8,432	-	8,432
	<u>407,881</u>	<u>8,552</u>	<u>416,433</u>
<u>Family Takaful fund</u>			
Financial assets	838,310	103,926	942,236
Quoted equity securities	-	59,076	59,076
Unit trust funds	-	44,850	44,850
Government Investment Issues	152,525	-	152,525
Cagamas Sukuk	10,203	-	10,203
Unquoted Sukuk	675,582	-	675,582
Financing and receivables	66,869	-	66,869
Other receivables	4,090	-	4,090
Cash and bank balances	18,618	-	18,618
	<u>927,887</u>	<u>103,926</u>	<u>1,031,813</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

19 **ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT (CONTINUED)**

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Audited			
<u>Fair value as at 31 December 2018</u>			
<u>Company</u>			
Financial assets	1,164,280	103,926	1,268,206
Quoted equity securities	-	59,076	59,076
Unit trust funds	-	44,850	44,850
Government Investment Issues	322,305	-	322,305
Cagamas Sukuk	10,203	-	10,203
Unquoted Sukuk	831,772	-	831,772
Financing and receivables	101,567	-	101,567
Other receivables	4,812	-	4,812
Cash and bank balances	27,050	-	27,050
	<u>1,297,709</u>	<u>103,926</u>	<u>1,401,635</u>

¹ Takaful receivables and retakaful assets have been excluded from the above assessment as these will be under the scope of MFRS 17, Insurance Contracts. Other than the financial assets listed above and assets that are within the scope of MFRS 17, Insurance Contracts, all other assets in the statement of financial position are non-financial assets.

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19 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT
(CONTINUED)

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total RM'000
<u>30.06.2019</u>			
<u>Changes in fair value during the period</u>			
<u>Shareholders' fund</u>			
Financial assets			
Investments in investment-linked funds	-	447	447
Government Investment Issues	5,266	-	5,266
Unquoted Sukuk	4,937	-	4,937
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>10,203</u>	<u>447</u>	<u>10,650</u>
<u>Family Takaful fund</u>			
Financial assets			
Quoted equity securities	-	3,618	3,618
Unit trust funds	-	4,029	4,029
Government Investment Issues	10,667	-	10,667
Cagamas Sukuk	283	-	283
Unquoted Sukuk	29,436	-	29,436
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>40,386</u>	<u>7,647</u>	<u>48,033</u>
<u>Company</u>			
Financial assets			
Quoted equity securities	-	3,618	3,618
Unit trust funds	-	4,029	4,029
Government Investment Issues	15,933	-	15,933
Cagamas Sukuk	283	-	283
Unquoted Sukuk	34,373	-	34,373
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>50,589</u>	<u>7,647</u>	<u>58,236</u>

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19 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT (CONTINUED)

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total RM'000
<u>30.06.2018</u>			
<u>Changes in fair value during the period</u>			
<u>Shareholders' fund</u>			
Financial assets			
Unit trust funds	-	(1)	(1)
Investments in investment-linked funds	-	(211)	(211)
Government Investment Issues	(1,050)	-	(1,050)
Unquoted Sukuk	(848)	-	(848)
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>(1,898)</u>	<u>(212)</u>	<u>(2,110)</u>
<u>Family Takaful fund</u>			
Financial assets			
Quoted equity securities	-	(7,648)	(7,648)
Unit trust funds	-	(1,865)	(1,865)
Government Investment Issues	(304)	-	(304)
Cagamas Sukuk	(76)	-	(76)
Unquoted Sukuk	(3,234)	-	(3,234)
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>(3,614)</u>	<u>(9,513)</u>	<u>(13,127)</u>
<u>Company</u>			
Financial assets			
Quoted equity securities	-	(7,648)	(7,648)
Unit trust funds	-	(1,866)	(1,866)
Government Investment Issues	(1,354)	-	(1,354)
Cagamas Sukuk	(76)	-	(76)
Unquoted Sukuk	(4,082)	-	(4,082)
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>(5,512)</u>	<u>(9,514)</u>	<u>(15,026)</u>

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19 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT (CONTINUED)

Financial assets with SPPI cash flows*

The table below provides information on the gross carrying amounts under MFRS 139 by credit risk rating grades.

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Non-rated</u>	<u>Investment-linked fund</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>30.06.2019</u>						
<u>Shareholders' fund</u>						
Government Investment						
Issues	-	-	-	154,584	-	154,584
Unquoted Sukuk	21,081	5,039	-	129,890	-	156,010
Financing and receivables	26,278	21,741	-	1,203	-	49,222
Other receivables	-	-	-	50,847	-	50,847
Cash and bank balances	4,371	-	-	6	-	4,377
	<u>51,730</u>	<u>26,780</u>	<u>-</u>	<u>336,530</u>	<u>-</u>	<u>415,040</u>
<u>Family Takaful fund</u>						
Government Investment						
Issues	-	-	-	152,789	-	152,789
Cagamas Sukuk	10,490	-	-	-	-	10,490
Unquoted Sukuk	166,312	274,408	-	295,443	-	736,163
Financing and receivables	40,641	34,449	-	-	-	75,090
Other receivables	-	-	-	4,409	157	4,566
Cash and bank balances	12,320	703	403	160	53	13,639
	<u>229,763</u>	<u>309,560</u>	<u>403</u>	<u>452,801</u>	<u>210</u>	<u>992,737</u>
<u>Company</u>						
Government Investment						
Issues	-	-	-	307,373	-	307,373
Cagamas Sukuk	10,490	-	-	-	-	10,490
Unquoted Sukuk	187,393	279,447	-	425,333	-	892,173
Financing and receivables	66,919	56,190	-	1,203	-	124,312
Other receivables	-	-	-	4,409	157	4,566
Cash and bank balances	16,691	703	403	166	53	18,016
	<u>281,493</u>	<u>336,340</u>	<u>403</u>	<u>738,484</u>	<u>210</u>	<u>1,356,930</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

19 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT (CONTINUED)

Financial assets with SPPI cash flows*

The table below provides information on the gross carrying amounts under MFRS 139 by credit risk rating grades.

	AAA	AA	A	Non-rated	Investment-linked fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Audited</u>						
<u>31.12.2018</u>						
<u>Shareholders' fund</u>						
Government Investment						
Issues	-	-	-	169,780	-	169,780
Unquoted Sukuk	20,375	10,121	-	125,694	-	156,190
Financing and receivables	3,070	30,448	-	1,180	-	34,698
Other receivables	-	-	-	38,781	-	38,781
Cash and bank balances	8,426	-	-	6	-	8,432
	<u>31,871</u>	<u>40,569</u>	<u>-</u>	<u>335,441</u>	<u>-</u>	<u>407,881</u>
<u>Family Takaful fund</u>						
Government Investment						
Issues	-	-	-	152,525	-	152,525
Cagamas Sukuk	10,203	-	-	-	-	10,203
Unquoted Sukuk	160,280	223,472	-	291,830	-	675,582
Financing and receivables	34,188	32,681	-	-	-	66,869
Other receivables	-	-	-	3,920	170	4,090
Cash and bank balances	16,894	1,084	272	315	53	18,618
	<u>221,565</u>	<u>257,237</u>	<u>272</u>	<u>448,590</u>	<u>223</u>	<u>927,887</u>
<u>Company</u>						
Government Investment						
Issues	-	-	-	322,305	-	322,305
Cagamas Sukuk	10,203	-	-	-	-	10,203
Unquoted Sukuk	180,655	233,593	-	417,524	-	831,772
Financing and receivables	37,258	63,129	-	1,180	-	101,567
Other receivables	-	-	-	4,642	170	4,812
Cash and bank balances	25,320	1,084	272	321	53	27,050
	<u>253,436</u>	<u>297,806</u>	<u>272</u>	<u>745,972</u>	<u>223</u>	<u>1,297,709</u>

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.