Company No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2019

Company No.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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Company No.

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(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to present this report with the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group and the Company are engaged principally in underwriting life insurance and investment-linked business. There were no significant changes in the principal activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

	Group/Company RM'000
Net profit for the financial year	81,429

DIVIDENDS

The amounts of dividends the Company paid or declared since the end of the previous financial year are as follows:

<u>For the financial year ended 31 December 2018</u>:

	RM'000
Dividend paid on 11 June 2019:	
- Single-Tier Final Dividend in respect of the Perpetual Noncumulative Preference Shares of 8 sen per share	8,000
- Single-Tier Final Dividend in respect of the Ordinary Shares of 40.62 sen per share	98,300
	106,300

The Directors have not recommended any dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

PROVISION FOR INSURANCE LIABILITIES

Before the Group and the Company made their financial statements, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods as specified in Part D of the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

SHARE CAPITAL

The Group and the Company did not issue any shares during the financial year.

BAD AND DOUBTFUL DEBTS

Before the Group and the Company made their financial statements, the Directors took reasonable steps to ascertain that proper action was taken in relation to writing off of bad debts and making allowance for doubtful debts, and satisfied themselves that all known bad debts were written off and that adequate allowance was made for doubtful debts.

As of the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the Group and the Company made their financial statements, the Directors took reasonable steps to ensure that any current assets unlikely to be realised in the ordinary course of business would have their values as shown in the accounting records of the Group and the Company to be written down to an amount which they might be expected so to realise.

As of the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS

As of the date of this report, the Directors are not aware of any circumstances that arose which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

As of the date of this report, there does not exist:

(a) any charge on the assets of the Group and the Company that arose since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group and the Company that arose since the end of the financial year.

No contingent or other liability of the Group and the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and the Company.

CHANGE OF CIRCUMSTANCES

As of the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction, or event of a material and unusual nature.

In the interval between the end of the financial year and the date of this report, no item, transaction, or event arose of a material and unusual nature which is likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

DIRECTORS

The Directors who held office since the date of the last report and as of the date of this report and the Directors' attendance during the financial year are as follows:

	Attendance
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	5/5
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	5/5
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	5/5
Dato' Mohd Shukri Bin Hussin (Independent Non-Executive Director)	5/5
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz (Non-Independent Non-Executive Director)	4/5
Encik Ooi Say Teng (Non-Independent Non-Executive Director)	5/5
Encik Leo Michel Grepin (Executive Director) (Appointed on 13 August 2019)	3/3
Encik Karim Gilani (Executive Director) (Resigned on 13 August 2019)	2/2

In accordance to Article 96 of the Company's Article of Association, Dato' Mohd Shukri Bin Hussin and Encik Jose Isidro Navato Camacho shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE

The Group and the Company have complied with all the prescriptive requirements and adopt management practices consistent with the principles prescribed under the Financial Services Act, 2013 (FSA) and Bank Negara Malaysia (BNM) Guidelines, in particular, BNM/RH/GL 018-5 on Fit and Proper Criteria and BNM/RH/PD 029-9 on Corporate Governance, that supersede BNM/RH/GL/003-1 on Minimum Standards for Prudential Management of Insurers (Consolidated) and BNM/RH/GL/003-2 on the Prudential Framework of Corporate Governance for Insurers.

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board)

The Board of Directors is responsible for supervising the management of the business and affairs of the Group and the Company.

In discharging its stewardship responsibilities, the Board assumes the following duties and responsibilities either directly or through its Committees and notwithstanding that, it still remains fully accountable for any authority delegated to the Committees:

Board

(i) Plans Board and Committee's size and composition, establishes Board Committees and appoints its members, and determines Directors' compensation;

(ii) Maintains formal orientation programmes for new Directors and ongoing education programmes for Directors;

(iii) Establishes corporate governance practices and policies; and

(iv) Assesses annually its effectiveness and the effectiveness of its Committees, the Chairman, the Committee Chairs, including the fitness and proper criteria of individual Directors.

Senior Management

(i) Selects, evaluates and, if necessary, replaces the Chief Executive Officer and other members of senior management, including the Appointed Actuary;

(ii) Delegates powers to management to manage the Group and the Company;

(iii) Oversees succession planning for senior management positions;

(iv) Approves compensation of senior management;

(v) Advises the Chief Executive Officer; and

(vi) Reviews and approves the organisational structure.

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

Ethics and Integrity

(i) Sets the ethical tone for the Group and the Company;

(ii) Satisfies itself that senior management maintain a culture of integrity throughout the Group and the Company; and

(iii) Approves amendments and reviews employee compliance with the Code of Business Conduct.

Strategy

(i) Approves the Group's and the Company's vision and mission statements;

(ii) Reviews the effectiveness of the strategic planning process;

(iii) Approves the Group's and the Company's business objectives, strategies, capital, and financial plans annually; and

(iv) Monitors the Group's and the Company's performance against these statements, objectives, and plans on an ongoing basis.

Risk Management, Capital Management and Internal Control

(i) At least annually, approves policies and procedures for the management and control of risk and capital, and reviews compliance with these policies and procedures;

(ii) Reviews the internal control and management information systems that provide reasonable assurance for the reliability of the Group's and the Company's financial information and safeguarding of its assets; and

(iii) Reviews compliance with legislative and regulatory requirements.

Material Transactions

(i) Reviews and approves material investments and transactions.

Financial Reporting

(i) Reviews and approves annual and interim financial statements.

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

Communication and Disclosure

(i) Oversees the timely reporting of financial results to Shareholders and other stakeholders;

(ii) Reviews and, when appropriate, approves policies on public disclosure, confidentiality of information, and securities trading; and

(iii) Enables Shareholders to provide feedback to the independent Directors.

Others

(i) Engages any special advisors it deems necessary to provide independent advice at the expense of the Group and the Company; and

(ii) Performs such other functions as prescribed by law or as assigned to the Board in the Group's and the Company's governing documents.

Directors' Training

The Remuneration and Nomination Committee (RNC) ensures that Directors undergo appropriate induction programmes and receive continuous training. The induction programmes include briefing on the operations and businesses of the Group and the Company and the applicable BNM guidelines and other legislation. The Financial Institutions Directors' Education (FIDE) Forum organises various topics for the participation of the Directors.

During the year, the Directors were briefed and updated on the BNM guidelines and the Directors also participated in external training programmes on various topics to keep abreast with the latest developments.

Audit Committee (AC)

The AC, comprising Independent Non-Executive Directors of the Group and the Company, and the AC members' attendance during the financial year are as follows:

	Attendance
Encik Pushpanathan A/L S.A. Kanagarayar – Chairman	4/4
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	4/4
Encik Jose Isidro Navato Camacho	4/4

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

The AC's duties and responsibilities are as follows:

Financial Reporting

(i) Reviews with the External Auditor and management and makes recommendations to the Board on the approval of:
   (a) The interim unaudited financial statements, including the notes thereto; and
   (b) The annual audited financial statements, including the notes thereto.

External Auditor

(i) Reviews the independence of the External Auditor, including the requirements relating to such independence in the laws governing the Group and the Company and the applicable financial legislative and regulatory requirements;

(ii) Assesses the performance of the External Auditor and recommends to the Board the reappointment or, if so determined by the AC, the replacement of the External Auditor, subject to the approval of the Shareholders;

(iii) Determines, reviews, and approves the services the External Auditor performs and the fees to be paid to the External Auditor for audit, audit-related, and other services permitted by law;

(iv) Reviews with the External Auditor and management the overall scope of the annual audit plan, quality control procedures, and the resources the External Auditor devotes to the audit;

(v) Reviews with the External Auditor any regulatory investigations that pertain to the External Auditor; and

(vi) Investigates reasons for any request made by management to dismiss the External Auditor, or any resignation by the External Auditor. The results of the investigation will be disclosed to the Board with recommendations on the proposed actions to be taken.

Internal Control and Audit

(i) Requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves such procedures;

(ii) Reviews management's reports on the effectiveness of the Group's and the Company's disclosure on controls and procedures and their internal control over financial reporting;

(iii) Reviews with the Head of Internal Audit and management:
   (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed by the External Auditor on their audit plan, and the adequacy of the resources available to the Head of Internal Audit;
   (b) The effectiveness of internal control procedures;

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

Internal Control and Audit (continued)

(iv) Ensures that management is taking necessary and timely corrective actions to address control weaknesses, noncompliance with laws, regulatory requirements, policies and any other issues identified by the internal audit and other control functions;

(v) Notes any significant disagreements between the Head of Internal Audit and management, irrespective of whether these were resolved, to identify any impact the disagreements may have on the audit process or findings;

(vi) Reviews third-party opinions on the design and effectiveness of the Group's and the Company's internal control framework;

(vii) Reviews quarterly Internal Audit reports with respect to, among others, the adequacy and effectiveness of controls on an enterprise-wide basis; and

(viii) Submits AC's Annual Report to BNM which includes the summary of activities, AC's composition and meeting records as well as internal control assessment and key control issues.

Governance

(i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Internal Audit function;

(ii) Ensures that the Head of Internal Audit has adequate authority and independence to perform the Internal Audit mandate;

(iii) Approves the appointment, remuneration, performance evaluation, removal and deployment of the Head of Internal Audit;

(iv) Ensures that an independent review of the Internal Audit function is conducted, as needed;

(v) Discusses with the External Auditor, if necessary, the impact of the financial and control-related aspects of material transactions the Group and the Company propose;

(vi) Reviews and discusses with the External Auditor and Appointed Actuary such reports and regulatory returns of the Group and the Company as may be specified by law;

(vii) Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory authorities, including management's responses and recommendations thereon;

(viii) Discusses the qualifications for and determines whether a member of the AC is a financial expert and, in conjunction with the Remuneration and Nomination Committee, ensures the ongoing financial literacy of AC members; and

(ix) Reviews, updates, and monitors any related party transactions and conflict of interest situations that may arise within the Group and the Company, including any transactions, procedures, or conduct that raise questions of management integrity.

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

Others

(i) Performs such other duties and exercises, such other powers as the Board may, from time to time, assign or vest in the AC, and such other functions as may be required of an AC by law and regulations.

Remuneration and Nomination Committee (RNC)

The RNC, comprising Independent Non-Executive Directors, and the RNC members' attendance during the financial year are as follows:

	Attendance
Dato' Mohd Shukri Bin Hussin – Chairman	2/2
Encik Jose Isidro Navato Camacho	2/2
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	2/2

The RNC's duties and responsibilities with regards to the nomination role are as follows:

(i) Establishes minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively and oversees the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive Directors, Non-Executive, and Independent Directors, and other core competencies required through annual reviews.

The RNC also reviews the mix of skills of the Audit Committee's members through annual reviews;

(ii) Recommends and assesses the fitness and propriety of nominees for directorship, the Directors to fill the Board Committees, as well as nominees for the position of the Chief Executive Officer and the Company Secretary. This includes assessing the Directors and the Chief Executive Officer, including the proposals for their re-appointment before an application for approval is submitted to BNM;

(iii) Establishes a mechanism for formal assessment and assesses the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees, and the performance of the Chief Executive Officer annually;

CORPORATE GOVERNANCE (CONTINUED)

Remuneration and Nomination Committee (RNC) (continued)

(iv) Recommends to the Board the removal of a Director and Chief Executive Officer for ineffectiveness, or being errant or negligent in discharging responsibilities;

(v) Ensures that all Directors undergo appropriate induction programmes and receive continuous training;

(vi) Oversees the appointments, succession planning of management, and performance evaluation of key senior officers, and recommends to the Board the removal of key senior officers for ineffectiveness, or being errant or negligent in discharging their responsibilities;

(vii) Seeks the services of advisors or consultants as it deems necessary to fulfill its responsibilities; and

(viii) Reviews the list of key responsible persons, as defined in BNM guidelines, annually and make changes as appropriate.

The RNC's duties and responsibilities with regards to the remuneration role are as follows:

(i) Recommends a framework of remuneration for Directors, Chief Executive Officer, and key senior officers; and

(ii) Recommends specific remuneration packages for Directors, Chief Executive Officer, and key senior officers.

Risk Management Committee (RMC)

The RMC, comprising Independent Non-Executive Directors of the Group and the Company, and the RMC members' attendance during the financial year are as follows:

	Attendance
Encik Jose Isidro Navato Camacho - Chairman	4/4
Encik Pushpanathan A/L S.A. Kanagarayar	4/4
Dato' Mohd Shukri Bin Hussin	3/4

The RMC's duties and responsibilities are as follows:

Risk Management

(i) Reviews and recommends risk management strategies, policies, risk tolerance, and risk appetite for the Board's approval;

(ii) Reviews at least annually and assesses the adequacy of and compliance with Risk Management policies and framework for identifying, measuring, monitoring, and controlling risks, as well as the extent to which these are operating effectively;

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (RMC) (continued)

Risk Management (continued)

(iii) Ensures adequate infrastructure, resources, and systems are in place for effective risk management;

(iv) Reviews periodic management reports on risk exposure, risk portfolio composition, and risk management activities;

(v) Reviews and assesses matters in the Shareholders Agreement as recommended by the Executive Committee, for the Board's approval;

(vi) Monitors the performance of the Enterprise Risk Management Committee (ERMC), the Asset and Liability Committee (ALCO), and the Investment Committee (IC) within the context of the Group's and the Company's strategy, risk appetite, and charters of the respective Committees;

(vii) Reviews and assesses the results of the stress and scenario testings, before endorsing for the Board's approval. In addition, ensuring management's timely identification and continuous monitoring of suitable corrective action plans in addressing the identified risks;

(viii) Reviews key risk-related issues incorporated into the business plans annually;

(ix) Reviews management's actions related to product design through the process in the Risk Management policies; and

(x) Assists in the implementation of a sound remuneration structure and without prejudice to the tasks of the Remuneration and Nomination Committee, and examines whether incentives provided by the remuneration structure take into consideration risks, capital, liquidity, and the likelihood and timing of earnings.

Compliance

(i) Reviews at least annually and approves changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;

(ii) Reviews at least annually the adequacy of and compliance with the Group's and the Company's Code of Conduct and enterprise-wide policies for the management and mitigation of compliance risks, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption, and fraud; and

(iii) Reviews quarterly compliance reports presented to RMC with respect to, among others, compliance trends and themes enterprise-wide, regulatory reviews, and the Group's and the Company's compliance risks and programmes.

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (RMC) (continued)

Governance

(i) Reviews, at least annually, and approves changes to the statements of mandate, responsibility, and authority of the Chief Risk Officer.

Executive Committee (EC)

The EC comprises an equal number of Directors nominated by each of the Shareholders, with a maximum of two nominees from each Shareholder. The composition of the EC is as follows:

Encik Ooi Say Teng
Encik Leo Michel Grepin (Appointed on 13 August 2019)
Encik Karim Gilani (Resigned on 13 August 2019)

The EC's duties and responsibilities are as follows:

(i) Reviews and recommends for approval of certain matters in the Shareholders Agreement before being tabled to the RMC and, subsequently, to the Board for deliberation and approval; and

(ii) Performs such other duties and exercises and such other powers as the Board may, from time to time, assign or vest in the EC.

CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Group and the Company are a party, being arrangements with the object or objects of enabling Directors of the Group and the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Group and the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Group and the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits disclosed in the notes to the financial statements of the Group and the Company) by reason of a contract made by the Group and the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Corporation in which the Director has a substantial financial interest.

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The current year's insurance premium amounts to RM65,000.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Company has kept the Register of Directors' Shareholdings under Section 59 of the Companies Act 2016. None of the Directors in office at the end of the financial year hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares, and debentures or have beneficial interests in the shares, options over shares, and debentures of its related companies during and at the end of the financial year.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are stated in Note 23 to the financial statements.

HOLDING COMPANIES

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 no longer a financial holding company effective from 2 October 2019. All three companies are incorporated in Malaysia.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are stated in Note 23 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board in accordance with the resolution of the Directors dated 28 February 2020.

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR	OOI SAY TENG

Kuala Lumpur

Company No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016

We, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Ooi Say Teng, being two of the Directors of Sun Life Malaysia Assurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements on pages 21 to 133 are drawn up to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and financial performance of the Group and of the Company for the financial year ended 31 December 2019, in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 February 2020.

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR	OOI SAY TENG

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Chew Chin Lim, being the Officer primarily responsible for the financial management of Sun Life Malaysia Assurance Berhad, do solemnly and sincerely declare that the financial statements on pages 21 to 133 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declarations to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW CHIN LIM
MIA No. CA10652

Subscribed and solemnly declared by the above named Chew Chin Lim at Kuala Lumpur in Malaysia on 28 February 2020.

Before me,

COMMISIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)
(Company No. 197499 U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Assurance Berhad (the Company) and its subsidiaries (the Group) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 133.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 197499 U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2021 J
Chartered Accountant

Kuala Lumpur
28 February 2020

Company No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Property and equipment	3	55,393	61,888	55,393	61,888
Intangible assets	4	16,851	5,030	16,851	5,030
Right-of-use assets	5	11,656	-	11,656	-
Financial assets	6	2,265,074	1,884,666	2,283,316	1,905,193
Loans and receivables	8	100,028	122,074	81,708	101,472
Reinsurance assets	9	136,929	92,206	136,929	92,206
Insurance receivables	10	14,186	12,426	14,186	12,426
Other receivables	11	16,381	15,908	16,381	15,908
Current tax assets		5,782	6,749	5,782	6,749
Cash and bank balances		15,870	21,524	15,865	21,518
TOTAL ASSETS		2,638,150	2,222,471	2,638,067	2,222,390
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital	12	358,000	358,000	358,000	358,000
Retained earnings	13	101,879	132,839	101,879	132,839
Reserves		103,809	97,747	103,809	97,747
Total equity		563,688	588,586	563,688	588,586
Insurance contract liabilities	14	1,888,623	1,493,828	1,888,623	1,493,828
Insurance claims liabilities		35,212	28,279	35,212	28,279
Insurance payables	15	14,634	9,946	14,634	9,946
Lease liabilities		11,511	-	11,511	-
Other financial liabilities	16	7,554	12,760	7,554	12,760
Other payables	17	73,489	58,862	73,406	58,781
Deferred tax liabilities	18	43,439	30,210	43,439	30,210
Total liabilities		2,074,462	1,633,885	2,074,379	1,633,804
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		2,638,150	2,222,471	2,638,067	2,222,390

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

Company No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Gross premiums		729,158	620,209	729,158	620,209
Premiums ceded to reinsurers		(66,990)	(72,589)	(66,990)	(72,589)
Net premiums		662,168	547,620	662,168	547,620
Investment income	19	93,330	85,527	96,351	83,292
Net realised gains	20	1	2	1	2
Net fair value gains	21	132,819	-	128,960	-
Other operating income	22	4,650	8,379	4,650	8,373
Other income		230,800	93,908	229,962	91,667
Gross benefits and claims paid		(260,234)	(252,711)	(260,234)	(252,711)
Claims ceded to reinsurers		51,430	45,755	51,430	45,755
Gross change in contract liabilities		(394,795)	(79,616)	(394,795)	(79,616)
Change in contract liabilities ceded to reinsurers		42,651	17,469	42,651	17,469
Net claims		(560,948)	(269,103)	(560,948)	(269,103)
Net fair value losses	21	-	(32,468)	-	(31,067)
Commission expenses		(71,145)	(62,856)	(71,145)	(62,856)
Management expenses	23	(145,484)	(120,060)	(144,646)	(119,220)
Other operating expenses	24	(835)	(599)	(835)	(599)
Investment expenses		(1,509)	(1,745)	(1,509)	(1,745)
Finance cost		(279)	-	(279)	-
Other expenses		(219,252)	(217,728)	(218,414)	(215,487)
Profit before taxation		112,768	154,697	112,768	154,697
Tax expense attributable to policyholders and unitholders		(14,710)	(1,128)	(14,710)	(1,128)
Profit before taxation attributable to Shareholders		98,058	153,569	98,058	153,569
Taxation	25	(31,339)	(24,254)	(31,339)	(24,254)
Tax expense attributable to policyholders and unitholders		14,710	1,128	14,710	1,128
Tax expense attributable to Shareholders		(16,629)	(23,126)	(16,629)	(23,126)
Net profit and total comprehensive income for the financial year		81,429	130,443	81,429	130,443
Basic earnings per share (sen)	26	33.65	53.90	33.65	53.90

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Non-distributable Share capital RM'000	Non-distributable Reserves[1] RM'000	Distributable Retained earnings RM'000	Total RM'000
Group/Company					
At 1 January 2019		358,000	97,747	132,839	588,586
Effects on adoption of MFRS 16	31	-	(27)	-	(27)
Dividends	27	-	-	(106,300)	(106,300)
Total comprehensive income for the financial year		-	54,089	27,340	81,429
Transfer of surpluses		-	(48,000)	48,000	-
At 31 December 2019		358,000	103,809	101,879	563,688
Group/Company					
At 1 January 2018		358,000	73,566	111,777	543,343
Dividends	27	-	-	(85,200)	(85,200)
Total comprehensive income for the financial year		-	104,181	26,262	130,443
Transfer of surpluses		-	(80,000)	80,000	-
At 31 December 2018		358,000	97,747	132,839	588,586

[1] Reserves comprise unallocated surpluses from Life fund (net of deferred tax). This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer the Life fund surplus to the Shareholders' fund.

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	81,429	130,443	81,429	130,443
Adjustments for:				
Gross change in contract liabilities	394,795	79,616	394,795	79,616
Change in contract liabilities ceded to reinsurers	(42,651)	(17,469)	(42,651)	(17,469)
Property and equipment				
- depreciation	2,961	8,016	2,961	8,016
- gains on disposal	(1)	(2)	(1)	(2)
Amortisation of intangible assets	6,834	657	6,834	657
Amortisation of right-of-use assets	1,702	-	1,702	-
Net fair value (gains)/losses on investments at fair value through profit or loss	(132,818)	32,468	(128,960)	31,067
Interest income	(82,760)	(76,025)	(65,137)	(57,678)
Dividend income	(10,032)	(8,936)	(30,677)	(25,048)
Rental income	(537)	(566)	(537)	(566)
Finance cost	279	-	279	-
Taxation	31,339	24,254	31,339	24,254
Short term lease expense	977	-	977	-
Low value lease assets expense	23	-	23	-
Profit from operations before changes in operating assets and liabilities	251,540	172,456	252,376	173,290
Decrease/(Increase) in loans and receivables	22,170	(31,824)	19,888	(18,752)
Decrease/(Increase) in receivables	2,862	(3,082)	2,862	(3,082)
Increase in right-of-use assets	(12,757)	-	(12,757)	-
Increase in insurance claims liabilities	4,861	4,285	4,861	4,285
Increase/(Decrease) in payables	26,703	(1,605)	26,702	3,560
Purchase of investments	(793,343)	(802,700)	(677,406)	(651,803)
Proceeds from disposal and maturity of investments	548,143	698,794	430,795	531,694
	50,179	36,324	47,321	39,192
Investment income received:				
- Dividend	10,391	8,830	31,036	24,942
- Interest	80,247	75,750	62,461	56,769
- Rental	537	566	537	566
Interest paid	(279)	-	(279)	-
Taxation paid	(22,590)	(21,619)	(22,590)	(21,619)
Short term and low value lease assets paid	(935)	-	(935)	-
Net cash generated from operating activities	117,550	99,851	117,551	99,850

Company No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	4	8	4	8
Purchase of property and equipment	(15,124)	(14,965)	(15,124)	(14,965)
Purchase of intangible assets	-	(2,000)	-	(2,000)
Net cash used in investing activities	(15,120)	(16,957)	(15,120)	(16,957)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(106,300)	(85,200)	(106,300)	(85,200)
Payment of lease liabilities	(1,784)	-	(1,784)	-
Net cash used in financing activities	(108,084)	(85,200)	(108,084)	(85,200)
Net decrease in cash and cash equivalents	(5,654)	(2,306)	(5,653)	(2,307)
Cash and cash equivalents at beginning of the financial year	21,524	23,830	21,518	23,825
Cash and cash equivalents at end of the financial year	15,870	21,524	15,865	21,518
Cash and cash equivalents comprise:				
Cash and bank balances	15,870	21,524	15,865	21,518

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 insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under the operating activities.

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

1 CORPORATE INFORMATION

The Group and the Company are engaged principally in underwriting life insurance and investment-linked business. There were no significant changes in the nature of these activities during the financial year.

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

The Company's registered office and principal place of business is at the 11th 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 no longer a financial holding company, effective from 2 October 2019. All three companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 February 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company were prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards, and the provisions of the Companies Act 2016.

The Company met the minimum capital requirements as prescribed by the Risk-Based Capital Framework (the RBC Framework) as of the date of the statement of financial position.

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 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 Group and the Company.

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

New standards that are effective and were adopted

The amendments and improvements to published standards and interpretations that the Group and the Company adopted 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"
(iii) Annual Improvements to MFRSs 2015 - 2017 Cycle

The adoption of these amendments did not have any material impact to the Group's and the Company's financial statements, except as disclosed in Note 31 of the practical expedients elected and the detailed impacts of changes in accounting policies on leases. The details of the accounting policies on leases are disclosed separately in Note 2.2(w).

New standard that is effective and was deferred for adoption

The amendments and improvements to published standards and interpretations that are relevant and effected for the financial year beginning on or after 1 January 2019, but were deferred for adoption by the Group and the Company are as follows:

- 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 while 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.

  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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Group's and the Company's business activity are predominately insurance and, hence, qualify for the temporary exemption approach. Consequently, management decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2019 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 in Note 36.

All other new standards, amendments to published standards, and interpretations that are effective for the current financial year are not relevant to the Group and the Company.

(b) Standards, amendments to published standards, and interpretation of 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 financial years beginning after 1 January 2019. None of these are expected to have a significant effect on the financial statements of the Group and Company, except for the following:

- 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.

  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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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 International Accounting Standards Board ("IASB") has tentatively proposed to amend the effective date of IFRS 17 "Insurance Contracts" to 1 January 2022.

The Group and the Company are in the process of assessing the financial impact of this standard on their 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 IFRSs 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards, and interpretations of 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 phenomena.

(iii) Clarification on reporting entity for financial reporting – introduction of a 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 were added, by considering the nature of executory contracts and substance of contracts.

(v) Recognition and derecognition – the probability threshold for asset or liability recognition was removed. New guidance on derecognition of asset and liability was added.

(vi) Measurement – explanation of factors to consider when selecting a measurement basis was 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 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 Group and the Company are in the process of assessing the financial impact of this Framework on their financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Amendments to MFRS 3 on definition of a business, effective for annual periods beginning on or after 1 January 2020

  The amendments provide guidance to determine whether an input and a substantive process are present, including a situation where an acquisition does not have outputs. To be a business without outputs, an organised workforce is needed. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term “outputs” is narrower, focuses on goods or services provided to customers, generating investment returns and other income, but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as a “concentration test” that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

  The Group and the Company are in the process of assessing the financial impact of this standard on their financial statements.

- Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108), effective for annual periods beginning on or after 1 January 2020

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

  The definition of “material” was revised to “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.”

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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 transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is 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 Group and the Company are in the process of assessing the financial impact of this standard on their financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Group refers to the Company and its investment in structured entities.

(ii) Change in ownership interest in subsidiaries without change of control

Transactions with noncontrolling interests that do not result in loss of control are accounted for as equity transactions that are transactions with the owner in their capacity as owners. The difference between the fair value of any consideration paid and relevant shares equivalent of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the subsidiary is remeasured to its fair value as of the date when control is lost, with change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries (including structured entities) are carried at fair value in accordance with MFRS 139, Financial Instruments: Recognition and Measurement. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

(c) Business combination

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed as of the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired as of the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the acquired net assets, the difference is recognised directly in profit or loss.

(d) Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Property and equipment (continued)

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated as it has an infinite life. Depreciation of other property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Furniture, fittings, and renovation	10 years
Computer equipment	3 years
Office equipment	5 years
Motor vehicles	3 years
Buildings	50 years

Work-in-progress is not depreciated until the asset is ready for its intended use.

The residual values, useful lives, and depreciation methods are reviewed at each financial year-end to ensure that the amount, method, and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

At each date of the statement of financial position, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.2(h) on impairment of nonfinancial assets.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(e) Intangible asset

Intangible assets of the Group and the Company consist of exclusive partnership fee and computer software.

(i) Exclusive partnership fee

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The exclusive partnership agreement provides the Group and the Company with an exclusive right to the use of the partnership network. The fee for this right is amortised over its partnership agreement term using the straight-line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(h)(ii) on impairment of nonfinancial assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Intangible assets (continued)

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs directly associated with identifiable software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond 1 year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives of 3 years.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.2(h)(ii) on impairment of nonfinancial assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Financial assets

The Group and the Company classify its financial assets in the following categories: at fair value through profit or loss (FVTPL) and loans and other receivables (LAR).

The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group and the Company commit to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets typically bought with the intention to sell in the near future are classified as held-for-trading. For financial assets designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognising gains or losses on a different basis, or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Group and the Company classify assets acquired for the purpose of selling in the short term as held-for-trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Investments held by investment-linked-funds are designated at FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

LAR

LAR are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less impairment loss. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

(g) Fair value of financial instruments

The fair value of financial instruments actively traded in organised financial markets is determined by reference to quoted market bid prices for assets on the date of the statement of financial position.

For investments in unit trusts and real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm’s length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

For discounted cash flow techniques, estimated future cash flows are based on management’s best estimates and the discount rate used is a market-related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors, and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of Government Investment Issues, Cagamas bonds, and unquoted bonds are based on indicative fair market prices/indexes by reference to quotations provided by banks and rating agencies.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments as of the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment

(i) Financial assets

The Group and the Company assess at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the impairment loss is recorded in profit or loss.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed as of the date of the statement of financial position.

If, in a subsequent financial period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Nonfinancial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment (continued)

(ii) Nonfinancial assets (continued)

Nonfinancial assets that suffered an impairment are reviewed for possible reversal of the impairment as of the date of the statement of financial position. The impairment loss is charged to profit or loss unless it reverses a previous revaluation, in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

(i) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred, and the Group and the Company have also transferred substantially all risks and rewards of ownership.

(j) Equity instruments

<u>Share capital</u>

Ordinary shares and nonredeemable preference shares with discretionary dividends are classified as equity.

<u>Dividends</u>

Dividends on ordinary shares and preference shares classified as equity instruments are recognised as a liability and deducted from equity when they are declared.

Dividends for the financial year that are declared after the date of the statement of financial position are dealt with as an event after the date of the statement of financial position.

<u>Reserves</u>

Unallocated surpluses from Life fund, where the amounts of surplus are yet to be allocated or distributed to the Shareholders by the end of the financial year, are classified as equity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Product classification

The Group and the Company issue contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating, or credit index or other variable, provided, in the case of a nonfinancial variable, that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group and the Company (the insurer) accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group and the Company define insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. However, investment contracts can be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Based on the Group's and the Company's assessment, all contracts the Company underwrites meet the definition of insurance contracts and are accordingly classified as insurance contracts.

Insurance contracts are further classified as being either with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Group and the Company, fund or other entity that issues the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Product classification (continued)

Surpluses in the non-DPF fund arising during the year are recognised in the statement of comprehensive income and the unallocated surplus where the amount of surplus allocation to shareholders has yet to be determined by the end of the financial year is held in equity.

Surpluses in the DPF fund are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. However, the Group and the Company have the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders.

Unallocated surpluses of the DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year are held in equity in line with the approval granted from BNM in April 2018.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component, and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(l) Reinsurance

The Group and the Company cede insurance risk in the normal course of business for most of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group and the Company from their obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Reinsurance (continued)

Reinsurance assets are reviewed for impairment at each date of the statement of financial position or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurs after initial recognition of the reinsurance asset that the Group and the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group and the Company will receive from the reinsurer. The Group and the Company gather objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost and the impairment loss is calculated following the same method used for these financial assets in Note 2.2(h) to the financial statements. The impairment loss is recorded in profit or loss.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(m) Life insurance underwriting results

The surplus transferable from the Life fund to the Shareholders' fund is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Financial Services Act 2013 and the RBC Framework by the Company's Appointed Actuary. In the event the actuarial valuation indicates that a transfer is required from the Shareholder's fund, the transfer from the profit or loss to the Life fund is made in the financial year of the actuarial valuation.

<u>Gross premiums</u>

Gross premiums include premiums recognised in the Life fund and the Investment-linked fund.

Gross premiums of the Life fund are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

Gross premiums of the Investment-linked fund include the net creation of units, which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and are still within the grace period allowed for payment or covered by the cash surrender values of the policies.

<u>Reinsurance premiums</u>

Reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Life insurance underwriting results (continued)

Benefits and claims expenses

Benefits and claims incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and, for this purpose, the amounts payable under a life insurance policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as benefits payable on the due dates;
- death, surrender, and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- benefits payable under the Investment-linked fund are in respect of net cancellation of units and are recognised as surrenders; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premiums on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged/credited to profit or loss in the financial year in which they are incurred/derived.

(n) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivables are impaired, the Group and the Company reduce the carrying amount of the insurance receivables accordingly and recognise that impairment loss in profit or loss. The Group and the Company gather the objective evidence that insurance receivables are impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(h) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(i) to the financial statements, are met.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities

(i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best-estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of nonparticipating life policies, participating life policies, and the non-unit liabilities of investment-linked policies. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with Part D of the RBC Framework and Appendix VII: Valuation Basis for Life Insurance Liabilities of the RBC Framework, and any related Circulars issued by BNM relevant to the guidelines.

In the case of a life policy where a part or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that were not yet reported to the Group and the Company.

Adjustments to the liabilities at each date of the statement of financial position are recorded in the Life fund. Profits originating from margins of adverse deviations on run-off contracts are recognised in the Life fund over the life of the contract, whereas losses are fully recognised in the Life fund during the first year of run-off.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

The liability is derecognised when the contract expires, is discharged, or is cancelled.

At each date of the statement of financial position, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business (PVIF), by using an existing liability adequacy test.

Any inadequacy is recorded in profit or loss, initially, by impairing PVIF and subsequently, by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that failed the adequacy test is based on the assumptions established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years, if the impairment no longer exists.

For the purpose of complying with the requirement of a liability adequacy test under MFRS4 Insurance Contracts, insurance operators are deemed to comply if the valuation methods used are in accordance with Appendix VI or Appendix VII of the Risk-Based Capital Framework for Insurers, as specified by BNM.

(ii) Unallocated surplus

Surpluses in the non-DPF fund arising during the financial year are recognised in the statement of comprehensive income and the unallocated surplus, and where the amount of surplus allocation to shareholders which has yet to be determined by the end of the financial year is held in equity.

Surpluses in the DPF fund arising during the financial year are recognised in the statement of comprehensive income and the unallocated surplus, and where the amount of surplus allocation to shareholders which has yet to be determined by the end of the financial year is held in equity in line with the approval granted from BNM in April 2018.

For financial options and guarantees not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities (continued)

(iii) Net asset value attributable to unit holders

The unit liability of an investment-linked policy is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy, less deduction for mortality, morbidity costs and expense charges.

(p) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Other interest income, including amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income

Rental income is recognised on a time proportion basis.

Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Gains and losses on sale of financial assets are calculated as the difference between net sales proceeds and the original or amortised costs and are recorded on occurrence of the sale transaction.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profits for the financial year and is measured using the tax rates enacted as of the date of the statement of financial position. Current tax is recognised in profit or loss.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable taxable profits will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be used.

Deferred tax is measured at the tax rates expected to apply in the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted as of the date of the statement of financial position.

Deferred tax is recognised as income or expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income.

(r) Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate.

(s) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and nonmonetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and the Company.

(ii) Post-employment benefits

Defined contribution plan

The Group's and the Company's contributions to the Employees' Provident Fund (EPF), the national defined contribution plan, are charged to profit or loss in the financial year to which they relate. Once the contributions are paid, the Group and the Company have no further payment obligations.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Share-based payment plan

Certain employees of the Group and the Company are granted a share-based payment plan as consideration for services rendered.

The share-based payment plan is based on the value of Sun Life Financial Inc.'s (SLF) common shares. The total liabilities for this plan are computed based on the estimated number of SLF's common shares expected to vest at the end of the vesting period. The liabilities are recomputed at the end of each reporting period and are measured at the fair value of SLF's common shares at the reporting date. The liabilities are accrued and expensed on a straight-line basis over the vesting periods. The liabilities are settled in cash at the end of the vesting period.

(t) Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company do not recognise contingent assets, but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

(u) Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash in-hand and balances at bank and deposits held at call with financial institutions with original maturities of 3 months or less. It excludes deposits which are held for investment purposes.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Leases

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability as of the date on which the leased asset is available for use by the Group and the Company (i.e., the commencement date).

Contracts may contain both lease and nonlease components. The Group allocates the consideration in the contract to the lease and nonlease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and nonlease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group and the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term. A revision in lease term results in remeasurement of the lease liabilities.

(ii) Right-of-use assets

Right-of-use assets are initially measured at cost comprising the following:
- The amount of the initial measurement of the lease liability; and
- Any lease payments made at or before the commencement date less any lease incentive received.

Right-of-use assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. In addition, the right-of-use assets are adjusted for certain remeasurement of the lease liabilities.

While the Group and the Company revalue land and building (presented as part of property, plant and equipment) they own, they have chosen not to revalue the right-of-use building held by the Group and the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Leases (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security, and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

(iv) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment. Payments associated with short-term leases of property and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Accounting policies applied until 31 December 2018

Leases in which a significant (substantially all) portion of the risks and rewards of ownership are not transferred to the Group and the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, as of the date of the statement of financial position. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in any future period. These factors could include:

(a) Critical judgements made in applying the Group's and the Company's accounting policies

In determining and applying accounting policies, judgement is often required for items where choice of a specific policy could materially affect the reported results and financial position of the Group and the Company. However, the Directors are of the opinion that there are currently no accounting policies that require the exercise of significant judgement.

(b) Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as of the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of actuarial liabilities

The liability for life insurance contracts and investment contracts with DPF is based on current assumptions, reflecting the best estimate at the time of its determination and increased with a margin for risk and adverse deviation.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates, and discount rates. The Group and the Company base mortality and morbidity on established Malaysian industry tables which reflect historical experiences, adjusted when appropriate to reflect the Group's and the Company's unique risk exposure, product characteristics, target markets, and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing the life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

Lapse and surrender rates are based on the Group's and the Company's historical experience of lapses and surrenders.

Discount rate for nonparticipating policies, participating policies, and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security (MGS). The approach used to set the discount rates for participating policies are the same as nonparticipating ones in line with the approval granted from BNM in April 2018.

3 PROPERTY AND EQUIPMENT

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Group/Company							
Cost							
1 January 2018	4,538	45,974	1,639	912	43,939	2,044	99,046
Additions	243	3,508	189	-	-	11,025	14,965
Disposals	-	(3)	(10)	-	-	-	(13)
Reclassification	572	5,513	38	-	-	(6,123)	-
At 31 December 2018/ 1 January 2019	5,353	54,992	1,856	912	43,939	6,946	113,998
Additions	-	1,216	-	-	-	13,908	15,124
Disposals	(9)	-	(63)	-	-	-	(72)
Reclassification	224	10,120	119	-	-	(10,463)	-
Reclassification to Intangible Assets	-	(52,270)	-	-	-	-	(52,270)
At 31 December 2019	5,568	14,058	1,912	912	43,939	10,391	76,780

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture, fittings and renovation	Computer equipment	Office equipment	Motor vehicles	Freehold land and buildings	Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group/Company							
Accumulated depreciation							
1 January 2018	2,592	36,094	1,031	489	3,895	-	44,101
Charge for the financial year (note 23)	356	6,827	252	199	382	-	8,016
Disposals	-	(3)	(4)	-	-	-	(7)
At 31 December 2018/ 1 January 2019	2,948	42,918	1,279	688	4,277	-	52,110
Charge for the financial year (note 23)	382	1,795	234	167	383	-	2,961
Disposals	(9)	-	(60)	-	-	-	(69)
Reclassification to Intangible Assets	-	(33,615)	-	-	-	-	(33,615)
At 31 December 2019	3,321	11,098	1,453	855	4,660	-	21,387
Net carrying amount							
31 December 2019	2,247	2,960	459	57	39,279	10,391	55,393
31 December 2018	2,405	12,074	577	224	39,662	6,946	61,888

4 INTANGIBLE ASSETS

	Partnership fee RM'000	Computer software RM'000	Total RM'000
Group/Company			
Cost			
At 1 January 2018	6,050	-	6,050
Write off	(181)	-	(181)
At 31 December 2018/ 1 January 2019	5,869	-	5,869
Reclassification from Property and Equipment	-	52,270	52,270
At 31 December 2019	5,869	52,270	58,139
Accumulated amortisation			
At 1 January 2018	182	-	182
Amortisation charged to profit or loss (note 23)	657	-	657
At 31 December 2018/ 1 January 2019	839	-	839
Amortisation charged to profit or loss (note 23)	662	6,172	6,834
Reclassification from Property and Equipment	-	33,615	33,615
At 31 December 2019	1,501	39,787	41,288
Net carrying amount			
31 December 2019	4,368	12,483	16,851
31 December 2018	5,030	-	5,030

Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the key assumptions used in the cash flow projections in respect of the Partnership Fee to change significantly that would result in impairment.

5 RIGHT-OF-USE ASSETS

	Information Technology RM'000	Property RM'000	Office equipment RM'000	Total RM'000
Group/Company				
At 1 January 2019	92	184	324	600
Additions	12,615	121	22	12,758
Amortisation charged to profit and loss (note 23)	(1,389)	(144)	(169)	(1,702)
At 31 December 2019	11,318	161	177	11,656

6 FINANCIAL ASSETS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities	577,825	446,528	556,670	421,043
Cagamas bonds	6,154	5,905	6,154	5,905
Unquoted corporate debt securities	1,299,431	1,139,057	965,436	818,212
Quoted equity securities	148,408	119,468	148,408	119,468
Unit trust funds	233,082	173,534	233,082	173,534
Controlled structured entities (note 7)	-	-	373,392	366,857
Unquoted equity securities	174	174	174	174
	2,265,074	1,884,666	2,283,316	1,905,193

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

	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fair value through profit or loss (FVTPL) - designated upon initial recognition	2,265,074	1,884,666	2,283,316	1,905,193

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

	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
FVTPL - designated upon initial recognition	1,836,456	1,515,081	1,512,996	1,192,643

6 FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(a) FVTPL - designated upon initial recognition				
Malaysian Government Securities	577,825	446,528	556,670	421,043
Cagamas bonds	6,154	5,905	6,154	5,905
Unquoted corporate debt securities	1,299,431	1,139,057	965,436	818,212
Quoted equity securities	148,408	119,468	148,408	119,468
Unit trust funds	233,082	173,534	233,082	173,534
Controlled structured entities	-	-	373,392	366,857
Unquoted equity securities	174	174	174	174
	2,265,074	1,884,666	2,283,316	1,905,193

(b) Carrying values of financial assets

Group	FVTPL/Total RM'000
At 1 January 2019	1,884,666
Purchases	793,342
Maturities	(73,848)
Disposals	(468,629)
Fair value gains recorded in:	
Profit or loss (note 21)	127,154
Movement in accrued interest	2,389
At 31 December 2019	2,265,074
At 1 January 2018	1,812,956
Purchases	802,700
Maturities	(140,895)
Disposals	(555,434)
Fair value gains recorded in:	
Profit or loss (note 21)	(34,933)
Movement in accrued interest	272
At 31 December 2018	1,884,666

6 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial assets (continued)

Company	FVTPL/Total RM'000
At 1 January 2019	1,905,193
Purchases	677,406
Maturities	(58,440)
Disposals	(368,056)
Fair value gains recorded in:	
Profit or loss (note 21)	124,661
Movement in accrued interest	2,552
At 31 December 2019	2,283,316
At 1 January 2018	1,815,245
Purchases	651,803
Maturities	(122,259)
Disposals	(406,182)
Fair value gains recorded in:	
Profit or loss (note 21)	(34,320)
Movement in accrued interest	906
At 31 December 2018	1,905,193

(c) Fair value hierarchy

The Group and the Company categorise their fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Group's and 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 Group and the Company have 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 interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

6 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

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.

The following table presents the Group's and the Company's financial assets that are carried at fair value as at 31 December 2019:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
FVTPL				
2019				
Malaysian Government Securities	-	577,825	-	577,825
Cagamas bonds	-	6,154	-	6,154
Unquoted corporate debt securities	-	1,299,431	-	1,299,431
Quoted equity securities	148,408	-	-	148,408
Unit trust funds	233,082	-	-	233,082
Unquoted equity securities	-	-	174	174
	381,490	1,883,410	174	2,265,074
2018				
Malaysian Government Securities	-	446,528	-	446,528
Cagamas bonds	-	5,905	-	5,905
Unquoted corporate debt securities	-	1,139,057	-	1,139,057
Quoted equity securities	119,468	-	-	119,468
Unit trust funds	173,534	-	-	173,534
Unquoted equity securities	-	-	174	174
	293,002	1,591,490	174	1,884,666

6 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company				
FVTPL				
2019				
Malaysian Government Securities	-	556,670	-	556,670
Cagamas bonds	-	6,154	-	6,154
Unquoted corporate debt securities	-	965,436	-	965,436
Quoted equity securities	148,408	-	-	148,408
Unit trust funds	233,082	-	-	233,082
Controlled structured entities	373,392	-	-	373,392
Unquoted equity securities	-	-	174	174
	754,882	1,528,260	174	2,283,316
FVTPL				
2018				
Malaysian Government Securities	-	421,043	-	421,043
Cagamas bonds	-	5,905	-	5,905
Unquoted corporate debt securities	-	818,212	-	818,212
Quoted equity securities	119,468	-	-	119,468
Unit trust funds	173,534	-	-	173,534
Controlled structured entities	366,857	-	-	366,857
Unquoted equity securities	-	-	174	174
	659,859	1,245,160	174	1,905,193

There were no movements in Levels 1, 2 and 3 of the fair value hierarchy during the current financial year.

7 CONTROLLED STRUCTURED ENTITIES

The Company has determined that its investment in wholesale unit trust funds amounting to RM373,392,000 (2018: RM366,857,000) as disclosed in Note 6 to the financial statements as investment in structured entities (investee funds). The Company invests in a investee fund whose objective is to achieve medium to long-term returns while preserving capital and whose investment strategy does not include the use of leverage. The investee fund is managed by Opus Asset Management Sdn Bhd and applies various investment strategies to accomplish the investment objectives. The investee fund finances its operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the investee fund's net assets.

The Company holds 100% of the Opus Income Fund 2, a fund established in Malaysia, and thus has control over the investee fund. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The investee funds are classified as FVTPL investments and the change in fair value of the investee fund is included in the statement of comprehensive income in the Company's financial statements.

The Company's exposure to investments in the investee fund is disclosed below.

	2019	2018
Number of wholesale unit trust funds	1	1
Average net asset value per unit of wholesale unit trust funds:		
Opus Income Fund 2 (RM)	1.0558	1.0282
Fair value of underlying net assets:	RM'000	RM'000
Malaysian Government Securities	21,155	25,485
Unquoted corporate debt securities	333,995	320,845
Deposits with licensed financial institutions	18,320	20,602
Cash equivalents	5	6
Payables	(83)	(81)
	373,392	366,857
Total fair value gain for the financial year	7,230	2,453

The Company's maximum exposure to loss from its interests in the investee fund is equal to the fair value of its investment in the investee fund.

As the Company has control over the investee fund which is considered a controlled structured entity, the structured entity is consolidated at the Group level. The underlying assets of the structured entity are duly consolidated in the financial statements.

8 LOANS AND RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Policy loans	17,473	12,152	17,473	12,152
Fixed and call deposits with licensed financial institutions	82,555	109,922	64,235	89,320
	100,028	122,074	81,708	101,472
Receivable within 12 months	82,555	109,922	64,235	89,320
Receivable after 12 months	17,473	12,152	17,473	12,152
	100,028	122,074	81,708	101,472

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

9 REINSURANCE ASSETS

	Group/Company	
	2019	2018
	RM'000	RM'000
Reinsurance of insurance contracts		
- insurance claims liabilities	19,079	17,007
- insurance contract liabilities (note 14)	117,850	75,199
	136,929	92,206
Receivable within 12 months	26,677	22,269
Receivable after 12 months	110,252	69,937
	136,929	92,206

10 INSURANCE RECEIVABLES

	Group/Company	
	2019	2018
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	13,940	12,415
	13,940	12,415
Due from reinsurers and cedants	246	11
	14,186	12,426
Receivable within 12 months	14,186	12,426

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

	Group/Company	
	2019	2018
	RM'000	RM'000
Gross amounts of recognised financial assets	17,164	15,174
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (note 15)	(2,978)	(2,748)
Net amounts of financial assets presented in the statement of financial position	14,186	12,426

There are no financial instruments subjected to an enforceable master netting arrangements or financial collaterals (including cash collaterals) pledged or received as at 31 December 2019 (2018: nil).

11 OTHER RECEIVABLES

	Group/Company	
	2019	2018
	RM'000	RM'000
Amount due from fund manager/brokers	500	1,346
Amount due from related parties	9,178	8,837
Deposits receivable	294	274
Dividend receivable	137	496
Subscription to LIAM shares	2,147	2,147
Other receivables	4,125	2,808
	16,381	15,908
Receivable within 12 months	14,234	13,661
Receivable after 12 months	2,147	2,247
	16,381	15,908

Amount due from related parties is unsecured, interest free and has no fixed repayment terms.

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

12 SHARE CAPITAL

	2019		2018	
	Number of shares	Nominal value	Number of shares	Nominal value
Group/Company	'000	RM'000	'000	RM'000
Issued and paid up				
Ordinary shares with no par value:				
- At beginning/end of the financial year	242,000	258,000	242,000	258,000
Perpetual noncumulative preference shares (PPS) with no par value:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
	342,000	358,000	342,000	358,000

Features of the Perpetual Noncumulative Preference Shares (PPS)

The PPS is a subordinated and unsecured obligation of the Company and shall rank pari passu among themselves and senior only to the Company's ordinary shares. The PPS shall not represent any fixed charge on the earnings of the Company and shall carry no right to vote at any general meeting of the ordinary shareholders of the Company.

The PPS confers on the holder the right to receive a noncumulative gross dividend of 8% per annum, payable annually in arrears after the anniversary of the issue date of the PPS. The payment of dividend on the PPS is at the Company's discretion.

The PPS is not convertible to ordinary shares of the Company and the tenure of the PPS is perpetual and redeemable after year 2013 at the sole option of the Company subject to Bank Negara Malaysia's approval. At the date of this report, the Company has yet to exercise its redemption option.

13 RETAINED EARNINGS

Under the single tier system, there are no restrictions on the Company to frank the payment of dividends out of its entire retained earnings as of the date of the statement of financial position.

The Company may distribute single tier dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from the financial year beginning 1 January 2014. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

14 INSURANCE CONTRACT LIABILITIES

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

	2019			2018		
Group/Company	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Actuarial liabilities	1,599,524	(117,850)	1,481,674	1,271,899	(75,199)	1,196,700
Net asset value attributable to unitholders	289,099	-	289,099	221,929	-	221,929
	1,888,623	(117,850)	1,770,773	1,493,828	(75,199)	1,418,629
Current	254,579	(7,598)	246,981	222,759	(5,262)	217,497
Non-current	1,634,044	(110,252)	1,523,792	1,271,069	(69,937)	1,201,132
	1,888,623	(117,850)	1,770,773	1,493,828	(75,199)	1,418,629

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

Group/Company	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2019	1,493,828	(75,199)	1,418,629
Projected changes of inforce policies			
Premium income	305,460	(59,403)	246,057
Expense and commission	(44,774)	10	(44,764)
Benefits	(206,389)	51,809	(154,580)
Interest on cashflows	44,016	(2,469)	41,547
Others	(42,945)	17,631	(25,314)
Experience variance on inforce policies	31,200	(10,370)	20,830
Reserve for new policies	119,375	(27,362)	92,013
Assumption changes			
Discount rate	113,326	(4,011)	109,315
Mortality	7,986	(6,773)	1,213
Lapse rates	522	6	528
Policy expenses	4,078	-	4,078
Expense reserve	(2,884)	-	(2,884)
Other changes	(1,346)	(1,719)	(3,065)
Movement in unallocated surplus	-	-	-
Movement in net asset value attributable to unitholders	67,170	-	67,170
At 31 December 2019	1,888,623	(117,850)	1,770,773

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

Group/Company	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2018	1,414,212	(57,730)	1,356,482
Projected changes of inforce policies			
Premium income	254,429	(59,475)	194,954
Expense and commission	(43,023)	11	(43,012)
Benefits	(214,567)	60,916	(153,651)
Interest on cashflows	33,924	(1,566)	32,358
Others	(20,233)	7,037	(13,196)
Experience variance on inforce policies	16,592	(5,300)	11,292
Reserve for new policies	69,686	(20,037)	49,649
Assumption changes			
Discount rate	(12,612)	535	(12,077)
Mortality	(1,282)	415	(867)
Lapse rates	333	(5)	328
Policy expenses	(3,563)	-	(3,563)
Others	157	-	157
Expense reserve	(4,126)	-	(4,126)
Other changes	4,006	-	4,006
Movement in unallocated surplus	(1,472)	-	(1,472)
Movement in net asset value attributable to unitholders	1,367	-	1,367
At 31 December 2018	1,493,828	(75,199)	1,418,629

15 INSURANCE PAYABLES

	Group/Company	
	2019	2018
	RM'000	RM'000
Due to agents and intermediaries	3,906	3,224
Due to reinsurers and cedants	10,728	6,722
	14,634	9,946
Payable within 12 months	14,634	9,946

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

	Group/Company	
	2019	2018
	RM'000	RM'000
Gross amounts of recognised financial liabilities	17,612	12,694
Less: Gross amounts of recognised financial assets set off in the statement of financial position (note 10)	(2,978)	(2,748)
Net amounts of financial liabilities presented in the statement of financial position	14,634	9,946

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2019 (2018: nil).

16 OTHER FINANCIAL LIABILITIES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Outstanding purchases of investment securities	641	1,448	641	1,448
Unprocessed proposals	5,641	9,410	5,641	9,410
Others	1,272	1,902	1,272	1,902
	7,554	12,760	7,554	12,760
Payable within 12 months	7,554	12,760	7,554	12,760

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

17 OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits	79	86	79	86
Accrual for bonus	15,520	18,955	15,520	18,955
Accrual for electronic data processing expenses	984	971	984	971
Accrual for sales and marketing expenses	12,321	11,277	12,321	11,277
Accrual for advertising cost	1,089	869	1,089	869
Accrual for other expenses	11,658	8,647	11,575	8,566
Advance premium	22,722	10,303	22,722	10,303
Others	9,116	7,754	9,116	7,754
	73,489	58,862	73,406	58,781

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position and all amounts are payable within one year.

18 DEFERRED TAX LIABILITIES

	Group/Company	
	2019	2018
	RM'000	RM'000
At January	30,210	26,773
Effects on adoption of MFRS 16 (note 31)	(7)	-
Recognised in:		
Profit or loss (note 25)	13,236	3,437
At December	43,439	30,210
Current	(4)	4
Non-current	43,443	30,206
	43,439	30,210

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

18 DEFERRED TAX LIABILITIES (CONTINUED)

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group/Company	
	2019	2018
	RM'000	RM'000
Deferred tax liabilities	43,439	30,210
	43,439	30,210

	Accelerated depreciation	Revaluation-financial assets	Provision for expenses	Reserves	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group/Company					
Deferred tax liabilities/(assets)					
At 1 January 2018	349	8,100	(66)	18,390	26,773
Recognised in: Profit or loss (note 25)	(40)	(2,491)	(78)	6,046	3,437
At 31 December 2018	309	5,609	(144)	24,436	30,210
Effects on adoption of MFRS 16 (note 31)	-	-	-	(7)	(7)
Recognised in: Profit or loss (note 25)	(1)	11,748	(34)	1,523	13,236
At 31 December 2019	308	17,357	(178)	25,952	43,439

18 DEFERRED TAX LIABILITIES (CONTINUED)

The composition of deferred tax assets/liabilities before and after appropriate offsetting, is as follows:

	Group/Company	
	2019	2018
	RM'000	RM'000
Subject to income tax:		
Deferred tax assets (before offsetting)		
Provision for expenses	178	144
Offsetting	(178)	(144)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
Property and equipment	308	309
Financial assets	17,357	5,609
Reserves	25,952	24,436
	43,617	30,354
Offsetting	(178)	(144)
Deferred tax liabilities (after offsetting)	43,439	30,210

19 INVESTMENT INCOME

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Rental income	537	566	537	566
Financial assets at FVTPL - designated upon initial recognition				
Interest income	77,943	72,022	60,743	54,031
Dividend income				
- equity securities quoted in Malaysia	10,033	8,936	10,033	8,936
- controlled structured entities	-	-	20,644	16,112
LAR interest income	4,817	4,003	4,394	3,647
	93,330	85,527	96,351	83,292

20 NET REALISED GAINS

	Group/Company	
	2019	2018
	RM'000	RM'000
Gain on disposal of property and equipment	1	2

21 NET FAIR VALUE GAINS/(LOSSES)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL - designated upon initial recognition				
Unrealised gains/(losses) (note 6(b))	127,154	(34,933)	124,661	(34,320)
Realised gains/(losses):				
- Malaysian Government Securities	2,843	(192)	1,854	(98)
- Quoted equity securities	(92)	2,129	(92)	2,129
- Unquoted corporate debt securities	3,478	(1,088)	1,940	(844)
- Unit trust funds	597	1,616	597	1,616
- Controlled structured entities	(1,161)	-	-	450
	132,819	(32,468)	128,960	(31,067)

22 OTHER OPERATING INCOME

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Tax recoveries	7	5,405	7	5,405
Others	4,643	2,974	4,643	2,968
	4,650	8,379	4,650	8,373

23 MANAGEMENT EXPENSES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Employee benefits expense (note 23(a))	55,705	44,343	55,705	44,343
Directors' fees and allowance (note 23(b))	825	829	825	829
Auditors' remuneration:				
Statutory audit				
- current financial year	379	397	379	397
- over accrual in respect of prior financial years	-	(14)	-	(14)
Non-audit services	128	34	128	34
Electronic data processing expenses	5,858	3,863	5,858	3,863
Sales and marketing expenses	48,431	40,138	48,431	40,138
Advertising cost	4,560	1,658	4,560	1,658
Depreciation of property and equipment (note 3)	2,961	8,016	2,961	8,016
Amortisation of intangible assets (note 4)	6,834	657	6,834	657
Amortisation of right-of-use assets (note 5)	1,702	-	1,702	-
Rental expenses	81	136	81	136
Telephone and postage expenses	1,379	1,464	1,379	1,464
Short term leases expense	977	-	977	-
Low value lease assets expense	23	-	23	-
Others	15,641	18,539	14,803	17,699
	145,484	120,060	144,646	119,220

(a) Employee benefits expense

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Salaries and bonus	42,907	34,566	42,907	34,566
Defined contribution plan	5,859	4,748	5,859	4,748
Share-based payment plan (note 23(c))	1,142	511	1,142	511
Expatriate allowances	703	591	703	591
Other staff benefits	5,094	3,927	5,094	3,927
	55,705	44,343	55,705	44,343

23 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows:

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits-in-kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
Group/Company						
2019						
Chief Executive Officer:						
Lew Yung Chow	2,189	432	30	342	-	2,993
Executive Director:						
Encik Leo Michel Grepin	-	-	-	-	-	-
Non-Executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	172	172
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	148	148
Encik Jose Isidro Navato Camacho	-	-	-	-	170	170
Dato' Mohd Shukri Bin Hussin	-	-	-	-	145	145
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	94	94
Encik Ooi Say Teng	-	-	-	-	96	96
	2,189	432	30	342	825	3,818

23 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration (continued)

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows: (continued)

	Fixed remuneration	Variable remuneration			
Total value of remuneration awards for the financial year:	Cash-based	Cash-based	Shares and share-linked instruments	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Chief Executive Officer:					
Lew Yung Chow	1,471	1,150	342	30	2,993
Executive Director:					
Encik Michel Grepin	-	-	-	-	-
Non-Executive Directors:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	160	12	-	-	172
Encik Pushpanathan A/L S.A. Kanagarayar	135	13	-	-	148
Encik Jose Isidro Navato Camacho	155	15	-	-	170
Dato' Mohd Shukri Bin Hussin	135	10	-	-	145
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	90	4	-	-	94
Encik Ooi Say Teng	90	6	-	-	96
	2,236	1,210	342	30	3,818

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, there were no payment for shares and share-linked instruments.

23 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration (continued)

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows: (continued)

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits-in-kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
Group/Company						
2018						
Chief Executive Officer:						
Lew Yung Chow	1,958	274	30	245	-	2,507
	1,958	274	30	245	-	2,507
Executive Director:						
Encik Karim Gilani	-	-	-	-	-	-
Non-Executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	173	173
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	149	149
Encik Jose Isidro Navato Camacho	-	-	-	-	168	168
Dato' Mohd Shukri Bin Hussin	-	-	-	-	147	147
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	96	96
Encik Ooi Say Teng	-	-	-	-	96	96
	1,958	274	30	245	829	3,336

23 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration (continued)

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows: (continued)

	Fixed remuneration	Variable remuneration			
Total value of remuneration awards for the financial year:	Cash-based	Cash-based	Shares and share-linked instruments	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2018					
Chief Executive Officer:					
Lew Yung Chow	1,334	898	245	30	2,507
	1,334	898	245	30	2,507
Executive Director:					
Encik Karim Gilani	-	-	-	-	-
Non-Executive Directors:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	160	13	-	-	173
Encik Pushpanathan A/L S.A. Kanagarayar	135	14	-	-	149
Encik Jose Isidro Navato Camacho	155	13	-	-	168
Dato' Mohd Shukri Bin Hussin	135	12	-	-	147
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	90	6	-	-	96
Encik Ooi Say Teng	90	6	-	-	96
	2,099	962	245	30	3,336

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, there were no payment for shares and share-linked instruments.

23 MANAGEMENT EXPENSES (CONTINUED)

(c) Share-based payment plan

Expenses arising from the share-based payment transactions recognised during the financial year as part of the employee benefits expense were as follows:

	Group/Company	
	2019	2018
	RM'000	RM'000
Sun Share Unit Plan	1,142	511

Sun Share Units (SSU) are granted to certain employees of the Group and the Company as part of the annual performance reward cycle and has a vesting period of over 36 months from grant date. Each SSU entitles the recipient to receive payment equal to the market value of common shares, plus credited dividends, at the time of vesting, subject to any performance conditions. These SSU expenses are paid out in cash at the end of the vesting period.

24 OTHER OPERATING EXPENSES

	Group/Company	
	2019	2018
	RM'000	RM'000
Others	835	599
	835	599

25 TAXATION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Tax expense on the profit for the financial year:				
Income tax:				
Current tax	17,479	24,114	17,479	24,114
Deferred tax (note 18)	13,236	3,437	13,236	3,437
	30,715	27,551	30,715	27,551
Under/(over) provision in prior financial years	624	(3,297)	624	(3,297)
	31,339	24,254	31,339	24,254
Tax expense attributable to Shareholders	16,629	23,126	16,629	23,126
Tax expense attributable to policyholders and unitholders	14,710	1,128	14,710	1,128
	31,339	24,254	31,339	24,254

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation attributable to Shareholders	98,058	153,569	98,058	153,569
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	23,534	36,857	23,534	36,857
Income not subject to tax	(5,153)	(5,573)	(4,952)	(5,371)
Expenses not deductible for tax purposes	328	348	127	146
Section 110B tax credit set off	(2,704)	(5,209)	(2,704)	(5,209)
Under/(over) provision in prior financial years	624	(3,297)	624	(3,297)
Tax expense attributable to Shareholders	16,629	23,126	16,629	23,126
Tax expense attributable to policyholders and unitholders	14,710	1,128	14,710	1,128
	31,339	24,254	31,339	24,254

26 EARNINGS PER SHARE

Basic earnings per share of the Group and the Company is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Group and the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group/Company	
	2019	2018
	RM'000	RM'000
Profit attributable to ordinary equity holders (RM'000)	81,429	130,443
Weighted average number of shares in issue ('000)	242,000	242,000
Basic earnings per share (sen)	33.65	53.90

Diluted earnings per share are not presented as there are no dilutive potential ordinary shares as of the date of the statement of financial position

27 DIVIDENDS

The amounts of dividends paid or declared by the Company are as follows:

	2019		2018	
	RM per share	RM'000	RM per share	RM'000
Dividend in respect of the previous financial year:				
Perpetual Noncumulative Preference Shares	0.08	8,000	0.08	8,000
Ordinary Shares	0.4062	98,300	0.3190	77,200
		106,300		85,200

The Directors have not recommended any dividend to be paid for the financial year under review.

28 OPERATING LEASE COMMITMENTS

The future minimum lease payments of the operating lease commitments are as follows:

	Group/Company	
	2019	2018
	RM'000	RM'000
Not later than 1 year	179	168

29 CAPITAL COMMITMENTS

	Group/Company	
	2019	2018
	RM'000	RM'000
Approved and contracted for:		
Property and equipment	80	7
Intangible assets	787	3,735
Approved but not contracted for		
Intangible assets	1,449	4,833
	2,316	8,575

30 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with, the Group and the Company are as follows:

Company	Country of incorporation	Relationship
Khazanah Nasional Berhad (KNB)	Malaysia	Ultimate holding company
Avicennia Capital Sdn Bhd (ACSB)	Malaysia	Penultimate holding company
Renggis Ventures Sdn Bhd (RVSB)	Malaysia	Immediate holding company
Sun Life Assurance Company of Canada (SLACC)	Canada	Significant shareholder
Sun Life Financial Inc. (SLF)	Canada	Ultimate holding company of SLACC
CIMB Group Holdings Berhad (CIMBG)	Malaysia	Associate of the ultimate holding company
CIG Berhad (CIGB)	Malaysia	Subsidiary of CIMBG and shareholder of the immediate holding company
CIMB Bank Berhad (CIMB Bank)	Malaysia	Subsidiary of CIMBG
CIMB Principal Asset Management Berhad (CIMB Principal)	Malaysia	Subsidiary of CIMBG
CIMB Islamic Bank Berhad (CIBB)	Malaysia	Subsidiary of CIMBG
CIMB Howden Insurance Brokers Sdn Bhd (CIMB Howden)	Malaysia	Subsidiary of CIMBG
Sun Life Financial Asia Services Limited (SLF Asia)	Hong Kong	Fellow subsidiary of the SLF
Sun Life India Service Pvt. Ltd (ASCI)	India	Fellow subsidiary of the SLF
Sun Life Malaysia Takaful Berhad (SLMTB)	Malaysia	Fellow subsidiary of the ultimate holding company
Key management personnel*		

* Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Company comprise of the Board of Directors, Chief Executive Officer and the management committee members of the Group and the Company.

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on terms and conditions negotiated between the related parties.

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

(Income)/expenses	Location	Group/Company 2019 RM'000	Group/Company 2018 RM'000
Premiums received from CIMB Bank and CIMB Principal	Malaysia	(14,020)	(21,073)
Premiums paid to SLMTB	Malaysia	338	285
Interest earned from deposits in CIMB Bank and CIBB	Malaysia	(371)	(404)
Commission paid to CIMB Bank	Malaysia	70,575	63,197
Sales and marketing expenses paid to CIMB Bank and CIMB Principal	Malaysia	36,164	33,367
Rental income received from CIMB Bank and SLMTB	Malaysia	(607)	(505)
Shared service expenses charged to SLMTB	Malaysia	(64,863)	(72,384)
Charges paid to SLACC	Canada	3,595	3,231
Insurance expenses paid to CIMB Howden	Malaysia	152	79
Investment management fee paid to CIMB Principal	Malaysia	679	690
Internal audit fees paid to SLACC	Canada	-	21
Reimbursement of expenses received from SLF Asia	Hong Kong	(2,160)	(360)
Reimbursement of expenses received from SLACC	Canada	(4,878)	(4,094)
Charges paid to ASCI	India	595	-

(b) Included in the statement of financial position of the Group and the Company are significant related party balances, represented by the following:

	Group/Company 2019 RM'000	Group/Company 2018 RM'000
Amount due from SLMTB	7,708	6,527
Amount due (to)/from SLACC and SLF Asia	(593)	886
Amount due to CIMB Bank and CIMB Principal	(10,426)	(11,307)

Amounts due from/(to) related parties are unsecured, non-interest bearing and have no fixed repayment terms.

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

Total compensation paid and payable to the Group's and the Company's key management personnel during the financial year was as follows:

	Group/Company	
	2019	2018
	RM'000	RM'000
Salaries and other short-term employee benefits	12,269	11,401
Defined contribution plan	1,425	1,415
Fees and allowance	825	829
Share-based payment plan	1,142	511
	15,661	14,156

The estimated cash value of benefits-in-kind provided to key management personnel of the Group and the Company amounted to RM191,483 (2018: RM186,725).

(d) Compensation of senior management and other material risk takers

Total value of remuneration awards paid and payable to the Group's and the Company's senior management and other material risk takers during the financial year was as follows:

Group/Company

	2019			2018		
	Number of persons	Unrestricted	Deferred	Number of persons	Unrestricted	Deferred
Fixed remuneration cash-based	13	7,587	-	15	8,182	-
Variable remuneration cash-based	13	4,682	-	14	4,634	-
Shares and share-linked remuneration	13	-	1,142	14	-	511
Benefits-in-kind	3	191	-	3	187	-

During the financial year, none of the key management personnel were entitled to sign-on awards. (2018: RM nil).

31 CHANGE IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16 Leases

During the financial year, the Group and the Company changed its accounting policies on leases upon adoption of MFRS 16. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Company are a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 “Leases” and IC Interpretation 4 “Determining whether an Arrangement Contains a Lease”.

In addition, the Group and the Company have elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 January 2019.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new requirements had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

In applying MFRS 16 for the first time, the Group and the Company has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

31 CHANGE IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16 (CONTINUED)

Impacts of adoption of MFRS 16 as at 1 January 2019

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

Group/Company	Right-of-use assets RM'000	Other receivables RM'000	Lease liabilities RM'000	Deferred tax liabilities RM'000	Reserves RM'000
Closing balance as at 31 December 2018	-	15,908	-	(30,210)	(97,747)
Effects on adoption of MFRS 16:					
- Recognition of right-of-use assets	600	-	-	-	(600)
- Recognition of lease liabilities	-	-	(537)	-	537
- Other receivables	-	(97)	-	-	97
- Deferred tax	-	-	-	7	(7)
	600	(97)	(537)	7	27
Opening balance as at 1 January 2019	600	15,811	(537)	(30,203)	(97,720)

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5% per annum.

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:

Group/Company	RM'000
Operating lease commitments disclosed as at 31 December 2018	241
Present value of operating lease commitment (discounted using borrowing rate)	229
Leased assets not disclosed as operating lease commitment	348
Recognition exemption under short term lease assets and low value assets	(40)
Lease liabilities recognised as at 1 January 2019	537
Of which are:	
Current lease liabilities	43
Non-current lease liabilities	494
	537

32 RISK MANAGEMENT FRAMEWORK

(a) Risk management

The Board recognises that risk management is an integral part of the Group's and the Company's business objectives and it is critical for the Group and the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Group and the Company have put in place a Risk Management Framework (RMF) to manage their risks and opportunities. The Board has established the Risk Management Committee (RMC) with the primary responsibility of ensuring the effective functioning of the RMF. The RMC is supported by management-level committees; namely, the Enterprise Risk Management Committee (ERMC), the Asset and Liability Committee (ALCO) and the Investment Committee that provide oversight responsibilities on operational, financial and insurance risk management in facilitating the optimisation of the risk and return profile of the Group and the Company.

The RMF involves an on-going process of identifying, measuring, managing, monitoring and reporting significant risks affecting the achievement of the Group's and the Company's business objectives. It provides the Board and the management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Group's and the Company's strategies and functional activities throughout the financial year.

The Group and the Company operate a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by the risk management function (the second line of defence). The design of the RMF is also primarily the responsibility of the second line of defence. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the Internal Audit division (the third line of defence).

To promote a consistent and rigorous approach to risk management, the Group and the Company have a set of formal risk management policies. These risk policies set out the risk management and control standards for the Group's and the Company's operations. As the Group's and the Company's business respond to changing market conditions and customer needs, the management regularly monitor the appropriateness of the Group's and the Company's risk policies to ensure that they remain up-to-date.

(b) Capital management

Capital adequacy risk is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, maintain financial strength or to allow the Group and the Company to take advantage of opportunities for expansion.

The Group's and the Company's capital risk policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders, and the policyholders. The interest of the shareholders is to maximize returns. The interests of participating and other policyholders are also protected under the appropriate regulatory requirements.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital management (continued)

The Internal Capital Adequacy Assessment Process (ICAAP) guideline requires the Capital Management Plan (CMP) to specify thresholds for corrective actions. The Group and the Company need to calibrate the acceptable limits of local solvency, i.e. a corridor of acceptable solvency, where a solvency level outside of this corridor would not meet the risk appetite requirement. The Capital Management Plan specifies the different capital levels, escalation process, possible corrective actions, and the frequency of monitoring based on the capital level.

(c) Governance

The risk management policies identify the risks inherent in different elements of the Group and the Company and articulate how these should be managed. The policies include the level of tolerance (or appetite) in relation to each of the inherent risks and where the risk is material, the minimum standards of control the Group and the Company are expected to maintain. From a risk management governance perspective, the RMC has been established to assist the Board in its oversight of risk and risk management in the Group and the Company. The RMC reports and recommends to the Board on the risk management strategies, policies, risk tolerance, risk appetite, review and assessment of the adequacy of the risk management policies and framework, measurement, monitoring and controlling of risks as well as the extent to which these are operating effectively.

(d) Asset-Liability Management (ALM)

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve the Group’s and the Company’s financial and business objectives, given the organization’s risk tolerances and other constraints. ALM is the practice of managing a business so that decisions made and actions taken with respect to assets and liabilities are appropriately coordinated. This ongoing process is critical for the sound management of any financial intermediary or organization that conducts investment activity to support future cash flow needs and capital requirements. While the primary focus is on long-term economic value, ALM also consider stability of reported earnings, tax effects and capital implications.

33 INSURANCE RISK

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Group and the Company to financial loss and may result in the inability to meet its liabilities.

The Group's and the Company's life insurance businesses are exposed to a range of life insurance risks from various products. In providing insurance protection, the Group and the Company has to manage risks such as mortality (the death of policyholders), morbidity (ill health), persistency, product design and pricing.

The mortality and morbidity risks are managed through the use of reinsurance to transfer excessive risk exposures, using appropriate actuarial techniques as well as other mitigation measures.

Persistency (or lapse) risk is managed through frequent monitoring of experience. Where possible, the potential financial impact of lapses is reduced by the product design. Persistency risk is also mitigated through persistency management, applying best practices in the setting of lapse assumptions, product design requirements, experience monitoring and management actions.

Poorly designed or inadequately priced products can lead to both financial loss and reputation risk to the Group and the Company. Policies have been developed to support the Group and the Company through the product cycle development process, financial analysis and pricing.

33 INSURANCE RISK (CONTINUED)

The table below shows the concentration of actuarial liabilities by type of contract.

	2019			2018		
Group/Company	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Whole life	112,898	(3,880)	109,018	44,406	1,321	45,727
Term assurance	300,912	(770)	300,142	213,928	(7,273)	206,655
Endowment	300,265	(1,623)	298,642	250,982	(1,101)	249,881
Mortgage	821,396	(103,952)	717,444	721,204	(67,607)	653,597
Others	64,053	(7,625)	56,428	41,379	(539)	40,840
	1,599,524	(117,850)	1,481,674	1,271,899	(75,199)	1,196,700

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

Key assumptions

Material judgment is required in determining the actuarial liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

33 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

The key assumptions to which the estimation of actuarial liabilities is particularly sensitive are as follows:

Discount rate

i. Risk-free rate

Risk-free rate is used to discount cash flows for corresponding durations for Non-Participating and Investment-Linked policies' liabilities calculation, and Participating insurance fund policies, where only the guaranteed benefits are considered.

These risk-free rates from durations of 1 to 15 years are the Malaysian Government Securities (MGS) yields taken from Bond Web, which is a recognised bond pricing agency in Malaysia. As MGS yields are only available for terms of 1, 2, 3, 5, 7, 10 and 15, the yields in between are interpolated.

For durations of 15 years or more, the MGS yields with 15-years term to maturity are used.

The risk-free rates employed are gross of tax on investment income in the life fund.

ii. Fund-based yield

Fund-based yield was used in the Participating fund to discount the cash flows for corresponding durations where total guaranteed and non-guaranteed benefits are considered.

Following the approval granted from BNM in 2018, the Company has adopted risk-free rate to discount the cash flows of the Participating fund policies' liabilities calculation.

33 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Mortality and morbidity

Best estimate assumptions are based on the Group's and the Company's recent experience studies. Mortality assumption used for the Company's major product is based on a percentage of the industry's mortality table with provision of risk margin for adverse deviation (PRAD) of 8%.

Lapse rate

Best estimate assumptions are based on the Group's and the Company's recent experience studies. Depending on the product type, PRAD is set at a range of 15% to 45% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the experience of the Group and the Company. An inflation rate of 3.8% per annum is adopted for each policy expense. Maintenance expense overruns for future years have been set aside. The PRAD on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

Investment-linked funds' future growth rate

Net-of-tax expected fund investment return is used for non-guaranteed Investment-Linked funds' growth rate assumption.

33 INSURANCE RISK (CONTINUED)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are nonlinear. Sensitivity information will also vary according to the current economic assumptions.

	Change in best estimate assumptions	Impact on gross actuarial liabilities	Impact on net actuarial liabilities	Impact on profit before tax	Impact on equity
	%	RM'000	RM'000	RM'000	RM'000
Group/Company					
2019					
Mortality/morbidity	+10	85,663	13,570	(13,515)	(10,812)
Expenses	+10	9,220	9,219	(9,198)	(7,358)
Lapse and surrender rates	+10	2,172	3,710	(3,798)	(3,038)
Discount rate	-1	155,060	144,767	(143,584)	(114,867)

33 INSURANCE RISK (CONTINUED)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are nonlinear. Sensitivity information will also vary according to the current economic assumptions.

	Change in best estimate assumptions	Impact on gross actuarial liabilities	Impact on net actuarial liabilities	Impact on profit before tax	Impact on equity
	%	RM'000	RM'000	RM'000	RM'000
Group/Company					
2018					
Mortality/morbidity	+10	74,503	13,484	(13,408)	(10,726)
Expenses	+10	8,655	8,655	(8,631)	(6,905)
Lapse and surrender rates	+10	6,409	7,720	(7,354)	(5,883)
Discount rate	-1	116,555	111,311	(110,153)	(88,122)

34 FINANCIAL RISKS

(a) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations of the principal and/or interest. Exposure to such risk arises primarily from default risk of corporate bonds purchased.

The Group and the Company manage the exposure to individual counterparties, by measuring exposure against internal and regulatory limits. These limits are governed by BNM's regulatory limits and the Group's and the Company's internal limits, taking into account credit ratings issued by authorised rating agencies. The Group and the Company are also exposed to credit risk through the use of reinsurance. Reinsurance arrangements are only placed with providers who meet the Group's and the Company's counterparty credit standards.

The Group and the Company only purchase corporate bonds of high credit standing (with minimum rating of A-) as rated by authorised rating agencies. The Group and the Company also actively monitor and consider the risk of fall in the value of fixed interest securities from changes in the perceived credit worthiness of the issuer by conducting credit reviews and credit bond analysis on a regular basis as stipulated in the Investment Guidelines of the Group and the Company.

It is the Group's and the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The method used in monitoring the credit risk exposure to the Group and the Company did not change from the previous financial year.

The Group and the Company have not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that in investment-linked business, the liabilities to policyholders are linked to the performance and value of the assets that back those liabilities and shareholders have no direct exposure to any credit risk in these assets. The Group and the Company actively manage their product mix to ensure that there are no significant concentration of credit risk.

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34 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	Group			Company		
2019	Life and Shareholders' funds	Investment-linked funds	Total	Life and Shareholders' funds	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR						
Fixed and call deposits	75,654	6,901	82,555	57,334	6,901	64,235
Loans	17,473	-	17,473	17,473	-	17,473
Financial assets at FVTPL - designated upon initial recognition						
Malaysian Government Securities	576,246	1,579	577,825	555,091	1,579	556,670
Cagamas bonds	6,154	-	6,154	6,154	-	6,154
Quoted equity securities	89,033	59,375	148,408	89,033	59,375	148,408
Unit trust funds	9,033	224,049	233,082	9,033	224,049	233,082
Unquoted corporate debt securities	1,259,118	40,313	1,299,431	925,123	40,313	965,436
Controlled Structure Entities (Wholesale Fund)	-	-	-	373,392	-	373,392
Unquoted equity securities	174	-	174	174	-	174
Reinsurance assets	136,929	-	136,929	136,929	-	136,929
Insurance receivables	14,186	-	14,186	14,186	-	14,186
Other receivables	15,587	794	16,381	15,587	794	16,381
Cash and bank balances	15,813	57	15,870	15,808	57	15,865
	2,215,400	333,068	2,548,468	2,215,317	333,068	2,548,385

34 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	Group			Company		
2018	Life and Shareholders' funds	Investment-linked funds	Total	Life and Shareholders' funds	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR						
Fixed and call deposits	95,347	14,575	109,922	74,745	14,575	89,320
Loans	12,152	-	12,152	12,152	-	12,152
Financial assets at FVTPL - designated upon initial recognition						
Malaysian Government Securities	444,009	2,519	446,528	418,524	2,519	421,043
Cagamas bonds	5,905	-	5,905	5,905	-	5,905
Quoted equity securities	75,567	43,901	119,468	75,567	43,901	119,468
Unit trust funds	8,576	164,958	173,534	8,576	164,958	173,534
Unquoted corporate debt securities	1,104,826	34,231	1,139,057	783,981	34,231	818,212
Controlled Structure Entities (Wholesale Fund)	-	-	-	366,857	-	366,857
Unquoted equity securities	174	-	174	174	-	174
Reinsurance assets	92,206	-	92,206	92,206	-	92,206
Insurance receivables	12,426	-	12,426	12,426	-	12,426
Other receivables	14,341	1,567	15,908	14,341	1,567	15,908
Cash and bank balances	21,402	122	21,524	21,396	122	21,518
	1,886,931	261,873	2,148,804	1,886,850	261,873	2,148,723

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34 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the authorised rating agencies' credit ratings of counterparties.

Group

2019	Neither past-due nor impaired AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment-linked funds RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
LAR										
Fixed and call deposits	48,448	27,206	-	-	-	-	6,901	-	-	82,555
Loans	-	-	-	-	17,473	-	-	-	-	17,473
Financial assets at FVTPL - designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	576,246	-	1,579	-	-	577,825
Cagamas bonds	6,154	-	-	-	-	-	-	-	-	6,154
Quoted equity securities	-	-	-	-	-	89,033	59,375	-	-	148,408
Unit trust funds	-	-	-	-	-	9,033	224,049	-	-	233,082
Unquoted corporate debt securities	136,637	418,708	62,709	-	641,064	-	40,313	-	-	1,299,431
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	81,330	3,982	-	51,617	-	-	-	-	136,929
Insurance receivables	-	-	-	-	14,186	-	-	-	-	14,186
Other receivables	-	-	-	-	15,587	-	794	-	-	16,381
Cash and bank balances	15,490	89	-	-	234	-	57	-	-	15,870
	206,729	527,333	66,691	-	1,316,407	98,240	333,068	-	-	2,548,468

34 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the authorised rating agencies' credit ratings of counterparties.

Group

2018	Neither past-due nor impaired AAA	AA	A	BBB	Not rated	Not subject to credit risk	Investment-linked funds	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR										
Fixed and call deposits	66,671	28,676	-	-	-	-	14,575	-	-	109,922
Loans	-	-	-	-	12,152	-	-	-	-	12,152
Financial assets at FVTPL - designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	444,009	-	2,519	-	-	446,528
Cagamas bonds	5,905	-	-	-	-	-	-	-	-	5,905
Quoted equity securities	-	-	-	-	-	75,567	43,901	-	-	119,468
Unit trust funds	-	-	-	-	-	8,576	164,958	-	-	173,534
Unquoted corporate debt securities	114,550	391,537	63,547	-	535,192	-	34,231	-	-	1,139,057
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	68,481	-	-	23,725	-	-	-	-	92,206
Insurance receivables	-	-	-	-	12,426	-	-	-	-	12,426
Other receivables	-	-	-	-	14,341	-	1,567	-	-	15,908
Cash and bank balances	20,943	310	-	-	149	-	122	-	-	21,524
	208,069	489,004	63,547	-	1,041,994	84,317	261,873	-	-	2,148,804

34 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the authorised rating agencies' credit ratings of counterparties.

Company

	Neither past-due nor impaired					Not subject	Investment-	Past due but	Past due	
2019	AAA	AA	A	BBB	Not rated	to credit risk	linked funds	not impaired	and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR										
Fixed and call deposits	30,128	27,206	-	-	-	-	6,901	-	-	64,235
Loans	-	-	-	-	17,473	-	-	-	-	17,473
Financial assets at FVTPL - designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	555,091	-	1,579	-	-	556,670
Cagamas bonds	6,154	-	-	-	-	-	-	-	-	6,154
Quoted equity securities	-	-	-	-	-	89,033	59,375	-	-	148,408
Unit trust funds	-	-	-	-	-	9,033	224,049	-	-	233,082
Controlled structured entities	-	-	-	-	-	373,392	-	-	-	373,392
Unquoted corporate debt securities	136,637	255,441	-	-	533,045	-	40,313	-	-	965,436
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	81,330	3,982	-	51,617	-	-	-	-	136,929
Insurance receivables	-	-	-	-	14,186	-	-	-	-	14,186
Other receivables	-	-	-	-	15,587	-	794	-	-	16,381
Cash and bank balances	15,485	89	-	-	234	-	57	-	-	15,865
	188,404	364,066	3,982	-	1,187,233	471,632	333,068	-	-	2,548,385

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34 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the authorised rating agencies' credit ratings of counterparties. (continued)

Company

2018	Neither past-due nor impaired AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment-linked funds RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
LAR										
Fixed and call deposits	46,069	28,676	-	-	-	-	14,575	-	-	89,320
Loans	-	-	-	-	12,152	-	-	-	-	12,152
Financial assets at FVTPL - designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	418,524	-	2,519	-	-	421,043
Cagamas bonds	5,905	-	-	-	-	-	-	-	-	5,905
Quoted equity securities	-	-	-	-	-	75,567	43,901	-	-	119,468
Unit trust funds	-	-	-	-	-	8,576	164,958	-	-	173,534
Controlled structured entities	-	-	-	-	-	366,857	-	-	-	366,857
Unquoted corporate debt securities	114,550	235,548	-	-	433,883	-	34,231	-	-	818,212
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	68,481	-	-	23,725	-	-	-	-	92,206
Insurance receivables	-	-	-	-	12,426	-	-	-	-	12,426
Other receivables	-	-	-	-	14,341	-	1,567	-	-	15,908
Cash and bank balances	20,937	310	-	-	149	-	122	-	-	21,518
	187,461	333,015	-	-	915,200	451,174	261,873	-	-	2,148,723

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk where the Group and the Company are unable to meet their obligations at reasonable cost or at any time. The Investment department of the Group and the Company manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Group and the Company has a strong liquidity position and seek to maintain sufficient financial resources to meet their obligations as they fall due.

The method used in monitoring the liquidity risk did not change from the previous financial year.

Maturity profiles

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities into their relevant maturity groupings based on the remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance contract liabilities.

The investment-linked funds are the assets of the investment-linked contracts backing the investment-linked policyholders' account in the insurance contract liabilities. Investment-linked fund liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under the "Investment-linked funds" column. Repayments which are subject to notice are treated as if such notices were given immediately.

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Group

2019	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR									
Fixed and call deposits	82,555	75,684	-	-	-	-	-	6,901	82,585
Loans	17,473	17,473	-	-	-	-	-	-	17,473
Financial assets at FVTPL - designated upon initial recognition									
Malaysian Government Securities	577,825	23,872	63,969	50,165	443,835	341,322	-	1,579	924,742
Cagamas bonds	6,154	325	650	650	6,174	-	-	-	7,799
Quoted equity securities	148,408	-	-	-	-	-	89,033	59,375	148,408
Unit trust funds	233,082	-	-	-	-	-	9,033	224,049	233,082
Unquoted corporate debt securities	1,299,431	102,573	237,665	249,912	839,766	264,032	-	40,313	1,734,261
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	136,929	26,454	25,060	20,670	66,571	41,719	-	-	180,474
Insurance receivables	14,186	14,186	-	-	-	-	-	-	14,186
Other receivables	16,381	15,587	-	-	-	-	-	794	16,381
Cash and bank balances	15,870	-	-	-	-	-	15,813	57	15,870
Total assets	2,548,468	276,154	327,344	321,397	1,356,346	647,073	114,053	333,068	3,375,435

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Group	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
2019 (continued)									
Insurance contract liabilities	1,888,623	(5,813)	55,521	222,715	1,226,226	847,064	-	289,099	2,634,812
Insurance claims liabilities	35,212	35,212	-	-	-	-	-	-	35,212
Insurance payables	14,634	14,634	-	-	-	-	-	-	14,634
Lease liabilities	11,511	2,954	8,329	1,367	-	-	-	-	12,650
Other financial liabilities	7,554	7,554	-	-	-	-	-	-	7,554
Other payables	73,489	72,887	-	-	-	-	-	602	73,489
Total liabilities	2,031,023	127,428	63,850	224,082	1,226,226	847,064	-	289,701	2,778,351

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34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Group

2018	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR									
Fixed and call deposits	109,922	95,347	-	-	-	-	-	14,575	109,922
Loans	12,152	12,152	-	-	-	-	-	-	12,152
Financial assets at FVTPL - designated upon initial recognition									
Malaysian Government Securities	446,528	21,923	44,882	56,078	342,731	313,801	-	2,519	781,934
Cagamas bonds	5,905	325	650	650	6,499	-	-	-	8,124
Quoted equity securities	119,468	-	-	-	-	-	75,567	43,901	119,468
Unit trust funds	173,534	-	-	-	-	-	8,576	164,958	173,534
Unquoted corporate debt securities	1,139,057	115,465	192,662	185,700	860,275	225,552	-	34,231	1,613,885
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	92,206	22,438	19,854	16,007	43,550	17,932	-	-	119,781
Insurance receivables	12,426	12,426	-	-	-	-	-	-	12,426
Other receivables	15,908	14,341	-	-	-	-	-	1,567	15,908
Cash and bank balances	21,524	-	-	-	-	-	21,402	122	21,524
Total assets	2,148,804	294,417	258,048	258,435	1,253,055	557,285	105,719	261,873	2,988,832

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Group	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018 (continued)									
Insurance contract liabilities	1,493,828	42,971	84,137	193,359	985,556	732,906	-	221,929	2,260,858
Insurance claims liabilities	28,279	28,279	-	-	-	-	-	-	28,279
Insurance payables	9,946	9,946	-	-	-	-	-	-	9,946
Other financial liabilities	12,760	11,740	-	-	-	-	-	1,020	12,760
Other payables	58,862	58,498	-	-	-	-	-	364	58,862
Total liabilities	1,603,675	151,434	84,137	193,359	985,556	732,906	-	223,313	2,370,705

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

2019	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR									
Fixed and call deposits	64,235	57,364	-	-	-	-	-	6,901	64,265
Loans	17,473	17,473	-	-	-	-	-	-	17,473
Financial assets at FVTPL - designated upon initial recognition									
Malaysian Government Securities	556,670	23,093	61,632	47,828	399,167	341,322	-	1,579	874,621
Cagamas bonds	6,154	325	650	650	6,174	-	-	-	7,799
Quoted equity securities	148,408	-	-	-	-	-	89,033	59,375	148,408
Unit trust funds	233,082	-	-	-	-	-	9,033	224,049	233,082
Controlled structured entities	373,392	-	-	-	-	-	373,392	-	373,392
Unquoted corporate debt securities	965,436	55,982	158,884	193,971	639,250	252,023	-	40,313	1,340,423
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	136,929	26,454	25,060	20,670	66,571	41,719	-	-	180,474
Insurance receivables	14,186	14,186	-	-	-	-	-	-	14,186
Other receivables	16,381	15,587	-	-	-	-	-	794	16,381
Cash and bank balances	15,865	-	-	-	-	-	15,808	57	15,865
Total assets	2,548,385	210,464	246,226	263,119	1,111,162	635,064	487,440	333,068	3,286,543

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
2019 (continued)									
Insurance contract liabilities	1,888,623	(5,813)	55,521	222,715	1,226,226	847,064	-	289,099	2,634,812
Insurance claims liabilities	35,212	35,212	-	-	-	-	-	-	35,212
Insurance payables	14,634	14,634	-	-	-	-	-	-	14,634
Lease liabilities	11,511	2,954	8,329	1,367	-	-	-	-	12,650
Other financial liabilities	7,554	7,554	-	-	-	-	-	-	7,554
Other payables	73,406	72,804	-	-	-	-	-	602	73,406
Total liabilities	2,030,940	127,345	63,850	224,082	1,226,226	847,064	-	289,701	2,778,268

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

2018	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
LAR									
Fixed and call deposits	89,320	74,745	-	-	-	-	-	14,575	89,320
Loans	12,152	12,152	-	-	-	-	-	-	12,152
Financial assets at FVTPL - designated upon initial recognition									
Malaysian Government Securities	421,043	20,658	40,876	41,523	328,089	313,801	-	2,519	747,466
Cagamas bonds	5,905	325	650	650	6,499	-	-	-	8,124
Quoted equity securities	119,468	-	-	-	-	-	75,567	43,901	119,468
Unit trust funds	173,534	-	-	-	-	-	8,576	164,958	173,534
Controlled structured entities	366,857	-	-	-	-	-	366,857	-	366,857
Unquoted corporate debt securities	818,212	73,538	121,484	117,125	639,040	205,038	-	34,231	1,190,456
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	92,206	22,438	19,854	16,007	43,550	17,932	-	-	119,781
Insurance receivables	12,426	12,426	-	-	-	-	-	-	12,426
Other receivables	15,908	14,341	-	-	-	-	-	1,567	15,908
Cash and bank balances	21,518	-	-	-	-	-	21,396	122	21,518
Total assets	2,148,723	230,623	182,864	175,305	1,017,178	536,771	472,570	261,873	2,877,184

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

Company	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018 (continued)									
Insurance contract liabilities	1,493,828	42,971	84,137	193,359	985,556	732,906	-	221,929	2,260,858
Insurance claims liabilities	28,279	28,279	-	-	-	-	-	-	28,279
Insurance payables	9,946	9,946	-	-	-	-	-	-	9,946
Other financial liabilities	12,760	11,740	-	-	-	-	-	1,020	12,760
Other payables	58,781	58,417	-	-	-	-	-	364	58,781
Total liabilities	1,603,594	151,353	84,137	193,359	985,556	732,906	-	223,313	2,370,624

34 FINANCIAL RISKS (CONTINUED)

(c) Market risk

Market risk is the risk of assets/liabilities values being adversely affected by movements in market prices or rates. This includes equity prices and interest rates. It is recognised that such risk is inevitable from the business that the Group and the Company undertake, and that a certain level of market risk is desirable to deliver benefits to both policyholders and shareholders by achieving the Group's and the Company's financial objectives.

The Group and the Company manage market risk by adopting asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from market movements. However where any mismatch is within the Group's and the Company's appetite, the impact is monitored through economic capital measures.

Volatility in interest rate is the Group's and the Company's largest market risk exposure. The Group and the Company monitor market price movements through regular stress/sensitivity testing and constant supervision.

The method used in monitoring market risk did not change from the previous financial year.

(i) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Group's and the Company's concentration of interest rate risk arises from fixed rate instruments and the Group's and the Company's asset liability risk management policy requires management to manage the interest rate risk by maintaining an appropriate liability driven investment strategy. Interest on fixed rate instruments is priced at the issuance of the financial instrument and is fixed until the instrument matures.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

34 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

2019	Group		Company	
Change in interest rate	Impact on profit after taxation	Impact on equity*	Impact on profit after taxation	Impact on equity*
	RM'000	RM'000	RM'000	RM'000
+ 100 basis points	(114,523)	(114,523)	(100,715)	(100,715)
- 100 basis points	130,782	130,782	115,800	115,800

2018	Group		Company	
Change in interest rate	Impact on profit after taxation	Impact on equity*	Impact on profit after taxation	Impact on equity*
	RM'000	RM'000	RM'000	RM'000
+ 100 basis points	(93,227)	(93,227)	(79,205)	(79,205)
- 100 basis points	106,161	106,161	90,806	90,806

* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous financial year.

(ii) Price risk

Price risk is the risk that the fair value of a financial instrument or portfolio will decline from adverse movement in the market price of an asset, whether those changes are caused by factors specific to the individual financial instrument, overall performance of the market and economy, or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company's equity price risk exposure relates to risk of losses arising from equity assets as a result of movement in market prices, principally investment securities not held for the account of unit-linked business.

The Group's and the Company's asset liability risk management policy requires it to manage equity price risk and interest rate risk by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in the country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Group and the Company comply with BNM's stipulated limits during the financial year and have no significant concentration of price risk.

34 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

2019	Group		Company	
Change in price	Impact on profit after taxation	Impact on equity*	Impact on profit after taxation	Impact on equity*
	RM'000	RM'000	RM'000	RM'000
Market price				
+ 20%	16,034	16,034	16,034	16,034
- 20%	(16,034)	(16,034)	(16,034)	(16,034)

2018	Group		Company	
Change in price	Impact on profit after taxation	Impact on equity*	Impact on profit after taxation	Impact on equity*
	RM'000	RM'000	RM'000	RM'000
Market price				
+ 20%	13,792	13,792	13,792	13,792
- 20%	(13,792)	(13,792)	(13,792)	(13,792)

* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous financial year. The impact of changes in equity price risk of the Participating life fund and Investment-linked funds is retained in the insurance contract liabilities.

(d) Operational risk

Operational risk is defined as the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events.

34 FINANCIAL RISKS (CONTINUED)

(d) Operational risk (continued)

The Group and the Company have in place an Operational Risk Management (ORM) Framework. The purpose of this Framework is to:

- Set out the framework for ensuring effective management of the Group's and the Company's Operational Risks, including processes for identifying, measuring, managing, monitoring and reporting these risks across the Group and the Company; and
- Establish standard tools and processes for managing Operational Risks within the Group and the Company.

From the governance perspective, the RMC and ERMC monitor and oversee the implementation of the ORM Framework to ensure that the operational risk management processes are in place and functioning effectively.

35 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2019, as prescribed under the RBC Framework is provided below:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Eligible Tier 1 Capital				
Share capital (paid-up)	358,000	358,000	358,000	358,000
Retained earnings	101,879	132,839	101,879	132,839
Eligible contract liabilities	129,761	122,185	129,761	122,185
	589,640	613,024	589,640	613,024
Amounts deducted from capital	(4,368)	(5,030)	(4,368)	(5,030)
Total capital available	585,272	607,994	585,272	607,994

36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS

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

Fair value as at 31 December 2019	Financial assets with SPPI cash flows RM'000	All other financial asset RM'000	Total* RM'000
Group			
Financial assets	-	2,284,919	2,284,919
Malaysian Government Securities	-	577,825	577,825
Cagamas bonds	-	6,154	6,154
Unquoted corporate debt securities	-	1,294,055	1,294,055
Unquoted corporate securities (perpetual instruments)	-	5,376	5,376
Quoted equity securities	-	148,408	148,408
Unquoted equity securities#	-	20,019	20,019
Unit trust funds	-	233,082	233,082
Loans and receivables – Fixed and call deposits	82,555	-	82,555
Other receivables	16,381	-	16,381
Cash and bank balances	15,870	-	15,870
	114,806	2,284,919	2,399,725
Company			
Financial assets	-	2,303,161	2,303,161
Malaysian Government Securities	-	556,670	556,670
Cagamas bonds	-	6,154	6,154
Unquoted corporate debt securities	-	965,436	965,436
Quoted equity securities	-	148,408	148,408
Unquoted equity securities#	-	20,019	20,019
Unit trust funds	-	233,082	233,082
Controlled structured entities	-	373,392	373,392
Loans and receivables – Fixed and call deposits	64,235	-	64,235
Other receivables	16,381	-	16,381
Cash and bank balances	15,865	-	15,865
	96,481	2,303,161	2,399,642

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans 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 nonfinancial assets.

Under MFRS 9, the unquoted equity securities are stated at market value.

36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)

Fair value as at 31 December 2018	Financial assets with SPPI cash flows RM'000	All other financial asset RM'000	Total* RM'000
Group			
Financial assets	-	1,902,712	1,902,712
Malaysian Government Securities	-	446,528	446,528
Cagamas bonds	-	5,905	5,905
Unquoted corporate debt securities	-	1,133,800	1,133,800
Unquoted corporate securities (perpetual instruments)	-	5,257	5,257
Quoted equity securities	-	119,468	119,468
Unquoted equity securities#	-	18,220	18,220
Unit trust funds	-	173,534	173,534
Loans and receivables – Fixed and call deposits	109,922	-	109,922
Other receivables	15,908	-	15,908
Cash and bank balances	21,524	-	21,524
	147,354	1,902,712	2,050,066
Company			
Financial assets	-	1,923,239	1,923,239
Malaysian Government Securities	-	421,043	421,043
Cagamas bonds	-	5,905	5,905
Unquoted corporate debt securities	-	818,212	818,212
Quoted equity securities	-	119,468	119,468
Unquoted equity securities#	-	18,220	18,220
Unit trust funds	-	173,534	173,534
Controlled structured entities	-	366,857	366,857
Loans and receivables – Fixed and call deposits	89,320	-	89,320
Other receivables	15,908	-	15,908
Cash and bank balances	21,518	-	21,518
	126,746	1,923,239	2,049,985

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans 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 nonfinancial assets.

\# Under MFRS 9, the unquoted equity securities are stated at market value.

36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)

31 December 2019	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total RM'000
Changes in fair value during the year			
Group			
Financial assets			
Malaysian Government Securities	-	38,334	38,334
Cagamas bonds	-	249	249
Unquoted corporate debt securities	-	58,152	58,152
Unquoted corporate debt securities (perpetual instruments)	-	118	118
Quoted equity securities	-	4,828	4,828
Unquoted equity securities#	-	1,799	1,799
Unit trust funds	-	25,473	25,473
	-	128,953	128,953
Company			
Financial assets			
Malaysian Government Securities	-	37,824	37,824
Cagamas bonds	-	249	249
Unquoted corporate debt securities	-	49,056	49,056
Quoted equity securities	-	4,828	4,828
Unquoted equity securities#	-	1,799	1,799
Unit trust funds	-	25,473	25,473
Controlled structured entities	-	7,231	7,231
	-	126,460	126,460

Under MFRS 9, the unquoted equity securities are stated at market value.

36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)

31 December 2018	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total RM'000
Changes in fair value during the year			
Group			
Financial assets			
Malaysian Government Securities	-	21	21
Cagamas bonds	-	(205)	(205)
Unquoted corporate debt securities	-	9,226	9,226
Unquoted corporate debt securities (perpetual instruments)	-	(117)	(117)
Quoted equity securities	-	(15,273)	(15,273)
Unquoted equity securities#	-	2,322	2,322
Unit trust funds	-	(28,585)	(28,585)
	-	(32,611)	(32,611)
Company			
Financial assets			
Malaysian Government Securities	-	217	217
Cagamas bonds	-	(205)	(205)
Unquoted corporate debt securities	-	7,074	7,074
Quoted equity securities	-	(15,273)	(15,273)
Unquoted equity securities#	-	2,322	2,322
Unit trust funds	-	(28,585)	(28,585)
Controlled structured entities	-	2,452	2,452
	-	(31,998)	(31,998)

Under MFRS 9, the unquoted equity securities are stated at market value.

36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (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.

31 December 2019	AAA RM'000	AA RM'000	Non-rated RM'000	Investment-linked funds RM'000	Total RM'000
Group					
Loans and receivables – Fixed and Call deposits	48,448	27,206	-	6,901	82,555
Other receivables	-	-	15,587	794	16,381
Cash and bank balances	15,490	89	234	57	15,870
	63,938	27,295	15,821	7,752	114,806
Company					
Loans and receivables	30,128	27,206	-	6,901	64,235
Other receivables	-	-	15,587	794	16,381
Cash and bank balances	15,485	89	234	57	15,865
	45,613	27,295	15,821	7,752	96,481
31 December 2018					
Group					
Loans and receivables – Fixed and Call deposits	66,671	28,676	-	14,575	109,922
Other receivables	-	-	14,341	1,567	15,908
Cash and bank balances	20,943	310	149	122	21,524
	87,614	28,986	14,490	16,264	147,354
Company					
Loans and receivables	46,069	28,676	-	14,575	89,320
Other receivables	-	-	14,341	1,567	15,908
Cash and bank balances	20,937	310	149	122	21,518
	67,006	28,986	14,490	16,264	126,746

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

37 INSURANCE FUNDS

The Group's and the Company's activities are organised by funds and segregated into Life and Shareholders' funds in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996.

The Group's and the Company's statement of financial position and statement of comprehensive income have been further analysed by funds which are as follows:

Statement of Financial Position by Funds as at 31 December 2019

	Shareholders' Fund		Life Fund		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Assets								
Property and equipment	-	-	55,393	61,888	-	-	55,393	61,888
Intangible assets	-	-	16,851	5,030	-	-	16,851	5,030
Right-of-use assets	-	-	11,656	-	-	-	11,656	-
Financial assets	396,830	385,490	1,909,748	1,538,161	(41,504)	(38,985)	2,265,074	1,884,666
Loans and receivables	19,553	29,967	80,475	92,107	-	-	100,028	122,074
Reinsurance assets	-	-	136,929	92,206	-	-	136,929	92,206
Insurance receivables	-	-	14,186	12,426	-	-	14,186	12,426
Other receivables	193,242	222,454	16,381	15,560	(193,242)	(222,106)	16,381	15,908
Current tax assets	(12,000)	(19,354)	17,782	26,103	-	-	5,782	6,749
Cash and bank balances	15	16	15,855	21,508	-	-	15,870	21,524
Total assets	597,640	618,573	2,275,256	1,864,989	(234,746)	(261,091)	2,638,150	2,222,471

37 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	101,879	132,839	-	-	-	-	101,879	132,839
Reserves	103,809	97,747	-	-	-	-	103,809	97,747
Total equity	563,688	588,586	-	-	-	-	563,688	588,586
Liabilities								
Insurance contract liabilities	-	-	1,930,127	1,532,813	(41,504)	(38,985)	1,888,623	1,493,828
Insurance claims liabilities	-	-	35,212	28,279	-	-	35,212	28,279
Insurance payables	-	-	14,634	9,946	-	-	14,634	9,946
Lease liabilities	-	-	11,511	-	-	-	11,511	-
Other financial liabilities	-	-	7,554	12,760	-	-	7,554	12,760
Other payables	824	680	265,907	280,288	(193,242)	(222,106)	73,489	58,862
Deferred tax liabilities	33,128	29,307	10,311	903	-	-	43,439	30,210
Total liabilities	33,952	29,987	2,275,256	1,864,989	(234,746)	(261,091)	2,074,462	1,633,885
Total equity, policyholders' funds and liabilities	597,640	618,573	2,275,256	1,864,989	(234,746)	(261,091)	2,638,150	2,222,471

37 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
Assets								
Property and equipment	-	-	55,393	61,888	-	-	55,393	61,888
Intangible assets	-	-	16,851	5,030	-	-	16,851	5,030
Right-of-use assets	-	-	11,656	-	-	-	11,656	-
Financial assets	415,072	406,017	1,909,748	1,538,161	(41,504)	(38,985)	2,283,316	1,905,193
Loans and receivables	1,233	9,365	80,475	92,107	-	-	81,708	101,472
Reinsurance assets	-	-	136,929	92,206	-	-	136,929	92,206
Insurance receivables	-	-	14,186	12,426	-	-	14,186	12,426
Other receivables	193,242	222,454	16,381	15,560	(193,242)	(222,106)	16,381	15,908
Current tax assets	(12,000)	(19,354)	17,782	26,103	-	-	5,782	6,749
Cash and bank balances	10	10	15,855	21,508	-	-	15,865	21,518
Total assets	597,557	618,492	2,275,256	1,864,989	(234,746)	(261,091)	2,638,067	2,222,390

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

37 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	101,879	132,839	-	-	-	-	101,879	132,839
Reserves	103,809	97,747	-	-	-	-	103,809	97,747
Total equity	563,688	588,586	-	-	-	-	563,688	588,586
Liabilities								
Insurance contract liabilities	-	-	1,930,127	1,532,813	(41,504)	(38,985)	1,888,623	1,493,828
Insurance claims liabilities	-	-	35,212	28,279	-	-	35,212	28,279
Insurance payables	-	-	14,634	9,946	-	-	14,634	9,946
Lease liabilities	-	-	11,511	-	-	-	11,511	-
Other financial liabilities	-	-	7,554	12,760	-	-	7,554	12,760
Other payables	741	599	265,907	280,288	(193,242)	(222,106)	73,406	58,781
Deferred tax liabilities	33,128	29,307	10,311	903	-	-	43,439	30,210
Total liabilities	33,869	29,906	2,275,256	1,864,989	(234,746)	(261,091)	2,074,379	1,633,804
Total equity, policyholders' funds and liabilities	597,557	618,492	2,275,256	1,864,989	(234,746)	(261,091)	2,638,067	2,222,390

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

37 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2019

	Shareholders' Fund		Life Fund		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Gross premiums	-	-	729,158	620,209	-	-	729,158	620,209
Premiums ceded to reinsurers	-	-	(66,990)	(72,589)	-	-	(66,990)	(72,589)
Net premium	-	-	662,168	547,620	-	-	662,168	547,620
Investment income	17,810	18,500	75,520	67,027	-	-	93,330	85,527
Net realised gains	-	-	1	2	-	-	1	2
Net fair value gains	14,770	-	120,568	-	(2,519)	-	132,819	-
Other operating income	-	5,611	4,650	2,768	-	-	4,650	8,379
Other income	32,580	24,111	200,739	69,797	(2,519)	-	230,800	93,908
Gross benefits and claims paid	-	-	(260,234)	(252,711)	-	-	(260,234)	(252,711)
Claims ceded to reinsurers	-	-	51,430	45,755	-	-	51,430	45,755
Gross change in contract liabilities	-	-	(397,314)	(79,365)	2,519	(251)	(394,795)	(79,616)
Change in contract liabilities ceded to reinsurers	-	-	42,651	17,469	-	-	42,651	17,469
Net claims	-	-	(563,467)	(268,852)	2,519	(251)	(560,948)	(269,103)

37 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Net fair value gains/(losses)	-	1,250	-	(33,969)	-	251	-	(32,468)
Commission expenses	-	-	(71,145)	(62,856)	-	-	(71,145)	(62,856)
Management expenses	(1,373)	(1,420)	(144,111)	(118,640)	-	-	(145,484)	(120,060)
Other operating expenses	(741)	(599)	(94)	-	-	-	(835)	(599)
Investment expenses	-	-	(1,509)	(1,745)	-	-	(1,509)	(1,745)
Finance cost	-	-	(279)	-	-	-	(279)	-
Other expenses	(2,114)	(769)	(217,138)	(217,210)	-	251	(219,252)	(217,728)
Profit before taxation	30,466	23,342	82,302	131,355	-	-	112,768	154,697
Tax expense attributable to policyholders and unitholders	-	-	(14,710)	(1,128)	-	-	(14,710)	(1,128)
Transfer from life fund	67,592	130,227	(67,592)	(130,227)	-	-	-	-
Profit before taxation attributable to Shareholders	98,058	153,569	-	-	-	-	98,058	153,569
Taxation	(16,629)	(23,126)	(14,710)	(1,128)	-	-	(31,339)	(24,254)
Tax expense attributable to policyholders and unitholders	-	-	14,710	1,128	-	-	14,710	1,128
Tax expense attributable to Shareholders	(16,629)	(23,126)	-	-	-	-	(16,629)	(23,126)
Net profit for the financial year	81,429	130,443	-	-	-	-	81,429	130,443

37 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2019

	Shareholders' Fund		Life Fund		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
Gross premiums	-	-	729,158	620,209	-	-	729,158	620,209
Premiums ceded to reinsurers	-	-	(66,990)	(72,589)	-	-	(66,990)	(72,589)
Net premiums	-	-	662,168	547,620	-	-	662,168	547,620
Investment income	20,831	16,265	75,520	67,027	-	-	96,351	83,292
Net realised gains	-	-	1	2	-	-	1	2
Net fair value gains	10,911	-	120,568	-	(2,519)	-	128,960	-
Other operating income	-	5,605	4,650	2,768	-	-	4,650	8,373
Other income	31,742	21,870	200,739	69,797	(2,519)	-	229,962	91,667
Gross benefits and claims paid	-	-	(260,234)	(252,711)	-	-	(260,234)	(252,711)
Claims ceded to reinsurers	-	-	51,430	45,755	-	-	51,430	45,755
Gross change in contract liabilities	-	-	(397,314)	(79,365)	2,519	(251)	(394,795)	(79,616)
Change in contract liabilities ceded to reinsurers	-	-	42,651	17,469	-	-	42,651	17,469
Net claims	-	-	(563,467)	(268,852)	2,519	(251)	(560,948)	(269,103)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

37 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
Net fair value gains/(losses)	-	2,651	-	(33,969)	-	251	-	(31,067)
Commission expenses	-	-	(71,145)	(62,856)	-	-	(71,145)	(62,856)
Management expenses	(535)	(580)	(144,111)	(118,640)	-	-	(144,646)	(119,220)
Other operating expenses	(741)	(599)	(94)	-	-	-	(835)	(599)
Investment expenses	-	-	(1,509)	(1,745)	-	-	(1,509)	(1,745)
Finance cost	-	-	(279)	-	-	-	(279)	-
Other expenses	(1,276)	1,472	(217,138)	(217,210)	-	251	(218,414)	(215,487)
Profit before taxation	30,466	23,342	82,302	131,355	-	-	112,768	154,697
Tax expense attributable to policyholders and unitholders	-	-	(14,710)	(1,128)	-	-	(14,710)	(1,128)
Transfer from life fund	67,592	130,227	(67,592)	(130,227)	-	-	-	-
Profit before taxation attributable to Shareholders	98,058	153,569	-	-	-	-	98,058	153,569
Taxation	(16,629)	(23,126)	(14,710)	(1,128)	-	-	(31,339)	(24,254)
Tax expense attributable to policyholders and unitholders	-	-	14,710	1,128	-	-	14,710	1,128
Tax expense attributable to Shareholders	(16,629)	(23,126)	-	-	-	-	(16,629)	(23,126)
Net profit for the financial year	81,429	130,443	-	-	-	-	81,429	130,443

37 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2019

	Shareholders' Fund		Life Fund		Total	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Cash flows from:						
Operating activities	106,299	85,200	11,250	14,651	117,550	99,851
Investing activities	-	-	(15,120)	(16,957)	(15,120)	(16,957)
Financing activities	(106,300)	(85,200)	(1,783)	-	(108,084)	(85,200)
Cash and cash equivalents:						
Net increase in cash and cash equivalents	(1)	-	(5,653)	(2,306)	(5,654)	(2,306)
At beginning of the financial year	16	16	21,508	23,814	21,524	23,830
At end of the financial year	15	16	15,855	21,508	15,870	21,524

37 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2019

	Shareholders' Fund		Life Fund		Total	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Cash flows from:						
Operating activities	106,300	85,199	11,250	14,651	117,551	99,850
Investing activities	-	-	(15,120)	(16,957)	(15,120)	(16,957)
Financing activities	(106,300)	(85,200)	(1,783)	-	(108,084)	(85,200)
Cash and cash equivalents:						
Net increase in cash and cash equivalents	-	(1)	(5,653)	(2,306)	(5,653)	(2,307)
At beginning of the financial year	10	11	21,508	23,814	21,518	23,825
At end of the financial year	10	10	15,855	21,508	15,865	21,518

38 INVESTMENT-LINKED FUNDS

Investment-linked funds' Statement of Financial Position as at 31 December 2019

	Group/Company	
	2019	2018
	RM'000	RM'000
Assets		
Financial assets	325,316	245,609
Loans and receivables	6,901	14,575
Other receivables	794	1,567
Cash and bank balances	57	122
Deferred tax assets	-	707
Total assets	333,068	262,580
Liabilities		
Other financial liabilities	-	1,020
Other payables	602	364
Current tax liabilities	302	282
Deferred tax liabilities	1,561	-
Total liabilities	2,465	1,666
Net asset value	330,603	260,914

Investment-linked funds' Statement of Comprehensive Income for the financial year ended 31 December 2019

	Group/Company	
	2019	2018
	RM'000	RM'000
Investment income	8,469	8,030
Net fair value gains	29,846	-
Other operating income	129	-
	38,444	8,030
Net fair value losses	-	(31,661)
Management expenses	(1,308)	(1,238)
Investment expenses	(318)	(563)
Profit/(loss) before taxation	36,818	(25,432)
Taxation	(2,567)	2,358
Net profit/(loss) for the financial year	34,251	(23,074)

38 INVESTMENT-LINKED FUNDS (CONTINUED)

The statements of financial position and comprehensive income of Investment-linked funds have been adjusted for the following assets, liabilities and net asset values of Sun Life Malaysia Balanced Stable Fund, Sun Life Malaysia Balanced Moderate Fund and Sun Life Malaysia Balanced Aggressive Fund, which have been eliminated as these funds only invested in Sun Life Malaysia Growth Fund and Sun Life Malaysia Conservative Fund:

Statement of Financial Position

	Group/Company	
	2019	2018
	RM'000	RM'000
Assets		
Financial assets	23,151	20,024
Other receivables	239	134
Total assets	23,390	20,158
Liabilities		
Other payables	34	10
Current tax liabilities	29	48
Deferred tax liabilities	173	102
Total liabilities	236	160
Net asset value	23,154	19,998

Statement of Comprehensive Income

	Group/Company	
	2019	2018
	RM'000	RM'000
Net fair value gains/(losses)	1,248	(660)
Management expenses	(11)	(11)
Profit/(loss) before taxation	1,237	(671)
Taxation	(100)	53
Net profit/(loss) for the financial year	1,137	(618)