

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2018

0551A9/ii

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

CONTENTS	PAGE
DIRECTORS' REPORT	1 - 15
STATEMENT BY DIRECTORS	16
STATUTORY DECLARATION	16
INDEPENDENT AUDITORS' REPORT	17 - 20
STATEMENT OF FINANCIAL POSITION	21
STATEMENT OF COMPREHENSIVE INCOME	22
STATEMENT OF CHANGES IN EQUITY	23
STATEMENT OF CASH FLOWS	24 - 25
NOTES TO THE FINANCIAL STATEMENTS	26 - 127

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	<u>Group/Company</u> RM'000
Net profit for the financial year	130,443

DIVIDENDS

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

In respect of the financial year ended 31 December 2017:

Dividend paid on 13 June 2018:

- Single-Tier Final Dividend in respect of the Perpetual Non-Cumulative Preference Shares of 8 sen per share	8,000
- Single-Tier Final Dividend in respect of the Ordinary Shares of 31.90 sen per share	77,200
	<u>85,200</u>

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

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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

SHARE CAPITAL

There was no issuance of shares by the Group and the Company during the financial year.

BAD AND DOUBTFUL DEBTS

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

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

At 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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen 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

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

- (a) any charge on the assets of the Group and the Company which has arisen 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 which has arisen 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 twelve 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

At 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.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature 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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	6/6
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	6/6
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	5/6
Dato' Mohd Shukri Bin Hussin (Independent Non-Executive Director)	6/6
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz (Non-Independent Non-Executive Director)	5/6
Encik Ooi Say Teng (Non-Independent Non-Executive Director)	6/6
Encik Karim Gilani (Executive Director)	5/6

In accordance to Article 96 of the Company's Article of Association, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Encik Pushpanathan A/L S.A. Kanagarayar 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 adopts management practices that are 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, and which 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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 program for new Directors and ongoing education programs for all Directors;
- (iii) Establishes corporate governance practices and policies; and
- (iv) Assesses its effectiveness and the effectiveness of its Committees, the Chairman, the Committee Chairs, as well as the effectiveness including the fitness and proper criteria of individual Directors on an annual basis.

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 organizational structure on an annual basis.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors ("the Board") (continued)

Ethics and Integrity

- (i) Sets an 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 to 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 on an annual basis; 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 on an annual basis, 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 as to the reliability of the Group's and the Company's financial information and the 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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors ("the Board") (continued)

Communication and Disclosure

- (i) Oversees the reporting of financial results to Shareholders and other stakeholders on a timely basis;
- (ii) Reviews and, when appropriate, approves policies with regard to public disclosure, confidentiality of information and securities trading; and
- (iii) Enables Shareholders to provide feedback to the independent Directors.

Other

- (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 all 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 legislations. The Financial Institutions Directors' Education ("FIDE") Forum has organised various topics for the participation of the Directors.

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

Audit Committee ("AC")

The composition of the AC comprises Independent Non-Executive Directors of the Group and the Company and the attendances of the AC members during the financial year were as follows:

	<u>Attendance</u>
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	3/4

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

The duties and responsibilities of the AC 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 to be performed by the External Auditor 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 that the External Auditor will devote to the audit;
- (v) Reviews with the External Auditor on 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 together with the 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 the procedures;
- (ii) Reviews management's reports on the effectiveness of the Group's and the Company's disclosure 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 in their audit plan, and the adequacy of the resources available to the Head of Internal Audit;
 - (b) The effectiveness of the internal control procedures;

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Internal Control and Audit (continued)

- (iv) Ensures that management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance 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 have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and
- (vi) Reviews third-party opinions on the design and effectiveness of the Group's and the Company's internal control framework.

Governance

- (i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Internal Audit;
- (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, on the impact of the financial and control-related aspects of material transactions that are being proposed by the Group and the Company;
- (vi) Reviews and discusses with the External Auditor and Appointed Actuary on 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;
- (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 on-going financial literacy of the 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 raises questions of management integrity.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Others

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

Remuneration and Nomination Committee ("RNC")

The composition of the RNC comprises Independent Non-Executive Directors and the attendance of the RNC members during the financial year were as follows:

	<u>Attendance</u>
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 duties and responsibilities of the RNC 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 shall also review the mix of skills of the members of the Audit Committee 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 on an annual basis;

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration and Nomination Committee ("RNC") (continued)

- (iv) Recommends to the Board on 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 and 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 duties and responsibilities of the RNC 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 composition of the RMC comprises Independent Non-Executive Directors of the Group and the Company and the attendance of the RMC members during the financial year were as follows:

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

The duties and responsibilities of the RMC are as follows:

Risk Management

- (i) Reviews and recommends risk management strategies, policies, risk tolerance and risk appetite for 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;

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

Risk Management (continued)

- (iii) Ensures adequate infrastructure, resources and systems are in place for an effective risk management;
- (iv) Reviews periodic management reports on risk exposure, risk portfolio composition and risk management activities;
- (v) Reviews and assesses on matters set out 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 approval by the Board. In addition, ensuring timely identification and continuous monitoring of suitable corrective action plans by management 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 set out in the Risk Management policies; and
- (x) Assists the implementation of a sound remuneration structure and without prejudice to the tasks of the Remuneration and Nomination Committee, examining 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 on an enterprise-wide basis, regulatory reviews and the Group's and the Company's compliance risks and programmes.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 Karim Gilani

The duties and responsibilities of the EC are as follows:

- (i) Reviews and recommends for approval of certain matters set out in the Shareholders Agreement before being tabled to the RMC and subsequently to the Board for deliberation and approval;
- (ii) Reviews and recommends for approval of certain matters set out in the Shareholders Agreement before being tabled to the Board for deliberation and approval; and
- (iii) Performs such other duties and exercises such other powers as may, from time to time, be assigned to or vested in the EC by the Board.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The current year's insurance premium amounting to RM71,000 was paid in the previous year.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Company has kept the Register of Directors' Shareholdings under Section 59 of the Companies Act 2016. The Directors in office at the end of the financial year did not 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, other than as shown below:

	No. of options over ordinary shares			
	At <u>1.1.2018</u>	<u>Granted</u>	<u>(Sold)</u>	At <u>31.12.2018</u>
<u>Sun Life Financial Inc.</u>				
Karim Gilani	7,369	2,575	(1,269)	8,675

DIRECTORS' REMUNERATION

The details of Directors' remuneration are set out in Note 22 to the financial statements.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 also a financial holding company. All the three companies are incorporated in Malaysia.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are set out in Note 22 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with the resolution of the Directors dated 21 March 2019.

DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR

OOI SAY TENG

Kuala Lumpur

Company No.

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 set out on pages 21 to 127 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and financial performance of the Group and of the Company for the financial year ended 31 December 2018 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 21 March 2019.

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 set out on pages 21 to 127 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 abovenamed Chew Chin Lim at Kuala Lumpur in Malaysia on 21 March 2019.

Before me,

COMMISSIONER 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 31 December 2018 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 2018 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 127.

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.

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)

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.

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

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
02954/03/2019 J
Chartered Accountant

Kuala Lumpur
21 March 2019

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property and equipment	3	61,888	54,945	61,888	54,945
Intangible assets	4	5,030	5,868	5,030	5,868
Financial assets	5	1,884,666	1,812,956	1,905,193	1,815,245
Loans and receivables	7	122,074	90,247	101,472	82,717
Reinsurance assets	8	92,206	72,020	92,206	72,020
Insurance receivables	9	12,426	6,860	12,426	6,860
Other receivables	10	15,908	23,655	15,908	23,655
Current tax assets		6,749	578	6,749	578
Cash and bank balances		21,524	23,830	21,518	23,825
TOTAL ASSETS		2,222,471	2,090,959	2,222,390	2,085,713
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital	11	358,000	358,000	358,000	358,000
Retained earnings	12	132,839	111,777	132,839	111,777
Reserves		97,747	73,566	97,747	73,566
Total equity		588,586	543,343	588,586	543,343
Insurance contract liabilities	13	1,493,828	1,414,212	1,493,828	1,414,212
Insurance claims liabilities		28,279	21,277	28,279	21,277
Insurance payables	14	9,946	12,444	9,946	12,444
Other financial liabilities	15	12,760	13,380	12,760	8,216
Other payables	16	58,862	59,530	58,781	59,448
Deferred tax liabilities	17	30,210	26,773	30,210	26,773
Total liabilities		1,633,885	1,547,616	1,633,804	1,542,370
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		2,222,471	2,090,959	2,222,390	2,085,713

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross premiums		620,209	560,718	620,209	560,718
Premiums ceded to reinsurers		(72,589)	(57,444)	(72,589)	(57,444)
Net premiums		547,620	503,274	547,620	503,274
Investment income	18	85,527	81,429	83,292	76,575
Net realised gains	19	2	95	2	95
Net fair value gains	20	-	49,448	-	53,787
Other operating income	21	8,379	2,624	8,373	2,624
Other income		93,908	133,596	91,667	133,081
Gross benefits and claims paid		(252,711)	(285,009)	(252,711)	(285,009)
Claims ceded to reinsurers		45,755	50,621	45,755	50,621
Gross change in contract liabilities		(79,616)	(54,554)	(79,616)	(54,554)
Change in contract liabilities ceded to reinsurers		17,469	(33,692)	17,469	(33,692)
Net claims		(269,103)	(322,634)	(269,103)	(322,634)
Net fair value losses	20	(32,468)	-	(31,067)	-
Commission expenses		(62,856)	(58,399)	(62,856)	(58,399)
Management expenses	22	(120,060)	(113,833)	(119,220)	(113,318)
Other operating expenses	23	(599)	(582)	(599)	(582)
Investment expenses		(1,745)	(1,657)	(1,745)	(1,657)
Other expenses		(217,728)	(174,471)	(215,487)	(173,956)
Profit before taxation		154,697	139,765	154,697	139,765
Tax expense attributable to policyholders and unitholders		(1,128)	(8,083)	(1,128)	(8,083)
Profit before taxation attributable to Shareholders		153,569	131,682	153,569	131,682
Taxation	24	(24,254)	(32,548)	(24,254)	(32,548)
Tax expense attributable to policyholders and unitholders		1,128	8,083	1,128	8,083
Tax expense attributable to Shareholders		(23,126)	(24,465)	(23,126)	(24,465)
Net profit and total comprehensive income for the financial year		130,443	107,217	130,443	107,217
Basic earnings per share (sen)	25	53.90	44.30	53.90	44.30

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 2018

	Note	Non-distributable			Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Reserves ¹ RM'000	Retained earnings RM'000	
<u>Group/Company</u>						
At 1 January 2018		358,000	-	73,566	111,777	543,343
Dividends	26	-	-	-	(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		<u>358,000</u>	<u>-</u>	<u>97,747</u>	<u>132,839</u>	<u>588,586</u>
<u>Group/Company</u>						
At 1 January 2017		342,000	16,000	51,586	108,440	518,026
Dividends	26	-	-	-	(81,900)	(81,900)
Total comprehensive income for the financial year		-	-	88,380	18,837	107,217
Transition to no-par value regime on 31 January 2017 ²		16,000	(16,000)	-	-	-
Transfer of surpluses		-	-	(66,400)	66,400	-
At 31 December 2017		<u>358,000</u>	<u>-</u>	<u>73,566</u>	<u>111,777</u>	<u>543,343</u>

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.

² The new Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM16,000,000 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year	130,443	107,217	130,443	107,217
Adjustments for:				
Gross change in contract liabilities	79,616	54,554	79,616	54,554
Change in contract liabilities ceded to reinsurers	(17,469)	33,692	(17,469)	33,692
Property and equipment				
- depreciation	8,016	7,437	8,016	7,437
- gains on disposal	(2)	(95)	(2)	(95)
Amortisation of intangible assets	657	182	657	182
Net fair value losses/(gains) on investments at fair value through profit or loss	32,468	(49,448)	31,067	(53,787)
Write back of allowance for impairment loss on insurance receivables	-	(1)	-	(1)
Allowance for impairment loss on insurance receivables	-	18	-	18
Interest income	(76,025)	(71,336)	(57,678)	(61,091)
Dividend income	(8,936)	(9,502)	(25,048)	(14,893)
Rental income	(566)	(591)	(566)	(591)
Taxation	24,254	32,548	24,254	32,548
	<hr/>	<hr/>	<hr/>	<hr/>
Profit from operations before changes in operating assets and liabilities	172,456	104,675	173,290	105,190
(Increase)/decrease in loans and receivables	(31,824)	56,905	(18,752)	64,435
(Increase)/decrease in receivables	(3,082)	986	(3,082)	986
Increase in insurance claims liabilities	4,285	264	4,285	264
(Decrease)/increase in payables	(1,605)	17,034	3,560	11,788
Purchase of investments	(802,700)	(1,148,682)	(651,803)	(1,054,979)
Proceeds from disposal and maturity of investments	698,794	1,020,819	531,694	924,726
	<hr/>	<hr/>	<hr/>	<hr/>
	36,324	52,001	39,192	52,410
Investment income received:				
- Dividend	8,830	9,244	24,942	14,635
- Interest	75,750	69,991	56,769	64,186
- Rental	566	591	566	591
Taxation paid	(21,619)	(32,390)	(21,619)	(32,390)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash generated from operating activities	99,851	99,437	99,850	99,432
	<hr/>	<hr/>	<hr/>	<hr/>

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	8	106	8	106
Purchase of property and equipment	(14,965)	(7,609)	(14,965)	(7,609)
Purchase of intangible assets	(2,000)	(2,870)	(2,000)	(2,870)
Net cash used in investing activities	<u>(16,957)</u>	<u>(10,373)</u>	<u>(16,957)</u>	<u>(10,373)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(85,200)	(81,900)	(85,200)	(81,900)
Net cash used in financing activities	<u>(85,200)</u>	<u>(81,900)</u>	<u>(85,200)</u>	<u>(81,900)</u>
Net (decrease)/increase in cash and cash equivalents	(2,306)	7,164	(2,307)	7,159
Cash and cash equivalents at beginning of the financial year	<u>23,830</u>	<u>16,666</u>	<u>23,825</u>	<u>16,666</u>
Cash and cash equivalents at end of the financial year	<u><u>21,524</u></u>	<u><u>23,830</u></u>	<u><u>21,518</u></u>	<u><u>23,825</u></u>
Cash and cash equivalents comprise:				
Cash and bank balances	<u><u>21,524</u></u>	<u><u>23,830</u></u>	<u><u>21,518</u></u>	<u><u>23,825</u></u>

The Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows as the purchases are funded from cash flows associated with the origination of 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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 CORPORATE INFORMATION

The Group and the Company are engaged principally in the underwriting of life insurance and investment-linked business. There have been 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 registered office and principal place of business of the Company is located 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 also a financial holding company. All the 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 21 March 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company have been 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 has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework ("the RBC Framework") as at 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 there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the 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 at 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The amendments and improvements to published standards and interpretations that have been adopted by the Group and the Company for the first time for the financial year beginning on or after 1 January 2018 are as follows:

- MFRS 15 Revenue from contracts with customers

The adoption of these amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods.

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

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

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

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

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

The Group’s and the Company’s business activity are predominately insurance and hence, qualify for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021, which is in line with the adoption of MFRS 17 Insurance Contracts. The additional disclosures are as set out in Note 34.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

Based on the Group’s and the Company’s assessment, there is no expected material impact of this standard to their financial statements.

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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for financial years beginning after 1 January 2018. None of these are expected to have a significant effect on the financial statements of the Group and Company, except for the following set out below:

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

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

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

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is reduced over time with interest expense recognised in the income statement.

Based on the Group's and the Company's assessment, there is no expected material impact of this standard to their financial statements.

- 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

Alternative measurement models are provided for the different insurance coverage:

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

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

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

The Group and the Company are in the process of assessing the financial impact of this standard onto 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 that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS, and does not override any IFRSs.

Key changes to the Framework are as follows:

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

Amendments to References to the Conceptual Framework in MFRS Standards

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

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

The amendments clarify that to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. 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, focusses 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 '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 onto their financial statements.

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

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

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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 onto their financial statements.

- New IC Interpretation 23 Uncertainty over Income Tax Treatments effective 1 January 2019

IC Interpretation 23 "Uncertainty over Income Tax Treatments" provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 de-consolidated 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 non-controlling 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 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 non-controlling 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 at 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 had 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 at 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 at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 depreciable until the asset is ready for its intended use.

The residual values, useful lives and depreciation method 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 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 assets

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

(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 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 non-financial assets.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

LAR

LAR are non-derivative 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 that are 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/indices 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 at 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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) Non-financial 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at 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

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

Dividends

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.

Reserves

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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 non-financial 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) have 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 life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Based on the Group's and the Company's assessment, all contracts underwritten by the Company meet the definition of insurance contracts and accordingly are 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 that are:

- 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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. The Group and the Company however 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 within the insurance contract liabilities. However, following the approval granted from BNM during the year, the unallocated surpluses are transferred to equity.

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 its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 as set out 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 Group's and 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.

Gross premiums

Gross premiums includes 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 includes 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 it is still within the grace period allowed for payment or covered by the cash surrender values of the policies.

Reinsurance premiums

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 that are 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.

(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, have been met.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 non-participating 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 of, 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 have not yet been 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 has failed the adequacy test is based on the assumptions that are 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 of contract under the Participating Life fund are attributable to policyholders and shareholders and the amount and timing of distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statement of financial position and is made in accordance with the provision of the Financial Services Act, 2013 and related regulations by the Company's Appointed Actuary.

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 within the insurance contract liabilities. However, following the approval granted from BNM during the year, the unallocated surpluses are transferred to equity.

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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 that have been enacted at 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 that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at 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 non-monetary 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 have been paid, the Group and the Company have no further payment obligations.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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 is 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 three months or less. It excludes deposits which are held for investment purpose.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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, at 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 in respect of items where choice of 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 which require significant judgement to be exercised.

(b) Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at 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 non-participating policies, guaranteed benefits of 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"). In the case of the total benefits liabilities of the participating policies, the discount rate is based on the historical yield and future investment outlook of the Participating fund, net of tax on investment income of the Life fund.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3 **PROPERTY AND EQUIPMENT (CONTINUED)**

<u>Group/Company</u>	<u>Furniture, fittings and renovation</u> RM'000	<u>Computer equipment</u> RM'000	<u>Office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Freehold land and buildings</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>							
1 January 2017	4,347	37,665	1,463	863	43,939	3,548	91,825
Additions	191	2,126	184	-	-	5,108	7,609
Disposals	-	(23)	(8)	(357)	-	-	(388)
Reclassification	-	6,206	-	406	-	(6,612)	-
At 31 December 2017/ 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	5,353	54,992	1,856	912	43,939	6,946	113,998

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

<u>Group/Company</u>	<u>Furniture, fittings and renovation</u> RM'000	<u>Computer equipment</u> RM'000	<u>Office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Freehold land and buildings</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Accumulated depreciation</u>							
1 January 2017	2,170	29,839	818	702	3,512	-	37,041
Charge for the financial year (note 22)	422	6,274	214	144	383	-	7,437
Disposals	-	(19)	(1)	(357)	-	-	(377)
At 31 December 2017/ 1 January 2018	2,592	36,094	1,031	489	3,895	-	44,101
Charge for the financial year (note 22)	356	6,827	252	199	382	-	8,016
Disposals	-	(3)	(4)	-	-	-	(7)
At 31 December 2018	2,948	42,918	1,279	688	4,277	-	52,110
<u>Net carrying amount</u>							
31 December 2017	1,946	9,880	608	423	40,044	2,044	54,945
31 December 2018	2,405	12,074	577	224	39,662	6,946	61,888

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 INTANGIBLE ASSETS

	<u>Partnership fee</u> RM'000	<u>Total</u> RM'000
<u>Group/Company</u>		
<u>Cost</u>		
At 1 January 2017	-	-
Additions	6,050	6,050
At 31 December 2017/ 1 January 2018	6,050	6,050
Write off	(181)	(181)
At 31 December 2018	<u>5,869</u>	<u>5,869</u>
<u>Accumulated amortisation</u>		
At 1 January 2017	-	-
Amortisation charged to profit or loss (Note 22)	182	182
At 31 December 2017/ 1 January 2018	182	182
Amortisation charged to profit or loss (Note 22)	657	657
At 31 December 2018	<u>839</u>	<u>839</u>
<u>Net carrying amount</u>		
31 December 2017	<u>5,868</u>	<u>5,868</u>
31 December 2018	<u>5,030</u>	<u>5,030</u>
<u>Sensitivity to changes in key assumptions</u>		

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

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 FINANCIAL ASSETS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities	446,528	412,986	421,043	397,392
Cagamas bonds	5,905	21,356	5,905	21,356
Unquoted corporate debt securities	1,139,057	1,063,403	818,212	721,443
Quoted equity securities	119,468	143,336	119,468	143,336
Unit trust funds	173,534	171,701	173,534	171,701
Controlled structured entities (Note 6)	-	-	366,857	359,843
Unquoted equity securities	174	174	174	174
	1,884,666	1,812,956	1,905,193	1,815,245

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

	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fair value through profit or loss ("FVTPL")				
- designated upon initial recognition	1,884,666	1,812,956	1,905,193	1,815,245

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

	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
FVTPL - designated upon initial recognition	1,515,081	1,316,117	1,192,643	978,835

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) FVTPL - designated upon initial recognition				
Malaysian Government Securities	446,528	412,986	421,043	397,392
Cagamas bonds	5,905	21,356	5,905	21,356
Unquoted corporate debt securities	1,139,057	1,063,403	818,212	721,443
Quoted equity securities	119,468	143,336	119,468	143,336
Unit trust funds	173,534	171,701	173,534	171,701
Controlled structured entities	-	-	366,857	359,843
Unquoted equity securities	174	174	174	174
	<u>1,884,666</u>	<u>1,812,956</u>	<u>1,905,193</u>	<u>1,815,245</u>

(b) Carrying values of financial assets

Group	FVTPL/Total RM'000
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 20)	(34,933)
Movement in accrued interest	272
At 31 December 2018	<u>1,884,666</u>
At 1 January 2017	1,634,224
Purchases	1,148,682
Maturities	(34,087)
Disposals	(969,240)
Fair value gains recorded in:	
Profit or loss (note 20)	31,956
Movement in accrued interest	1,421
At 31 December 2017	<u>1,812,956</u>

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial assets (continued)

<u>Company</u>	<u>FVTPL/Total</u> RM'000
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 20)	(34,320)
Movement in accrued interest	906
At 31 December 2018	<u>1,905,193</u>
At 1 January 2017	1,634,224
Purchases	1,054,979
Maturities	(34,087)
Disposals	(873,215)
Fair value gains recorded in:	
Profit or loss (note 20)	36,363
Movement in accrued interest	(3,019)
At 31 December 2017	<u>1,815,245</u>

(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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 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 2018:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>FVTPL</u>				
<u>2018</u>				
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
	<u>293,002</u>	<u>1,591,490</u>	<u>174</u>	<u>1,884,666</u>
<u>2017</u>				
Malaysian Government Securities	-	412,986	-	412,986
Cagamas bonds	-	21,356	-	21,356
Unquoted corporate debt securities	-	1,063,403	-	1,063,403
Quoted equity securities	143,336	-	-	143,336
Unit trust funds	171,701	-	-	171,701
Unquoted equity securities	-	-	174	174
	<u>315,037</u>	<u>1,497,745</u>	<u>174</u>	<u>1,812,956</u>

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Company</u>				
<u>FVTPL</u>				
<u>2018</u>				
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
	<u>659,859</u>	<u>1,245,160</u>	<u>174</u>	<u>1,905,193</u>
<u>FVTPL</u>				
<u>2017</u>				
Malaysian Government Securities	-	397,392	-	397,392
Cagamas bonds	-	21,356	-	21,356
Unquoted corporate debt securities	-	721,443	-	721,443
Quoted equity securities	143,336	-	-	143,336
Unit trust funds	171,701	-	-	171,701
Controlled structured entities	359,843	-	-	359,843
Unquoted equity securities	-	-	174	174
	<u>674,880</u>	<u>1,140,191</u>	<u>174</u>	<u>1,815,245</u>

There were no transfers between Level 1 and 2 of the fair value hierarchy during the current financial year. There were also no movement in Level 3 of the fair value hierarchy during the current financial year.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 CONTROLLED STRUCTURED ENTITIES

The Company has determined that its investment in wholesale unit trust funds amounting to RM366,857,000 (2017: RM359,843,000) as disclosed in Note 5 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.

	<u>2018</u>	<u>2017</u>
Number of wholesale unit trust funds	1	1
Average net asset value per unit of wholesale unit trust funds:		
Opus Income Fund 2 (RM)	1.0282	1.0206
Fair value of underlying net assets:	RM'000	RM'000
Malaysian Government Securities	25,485	15,594
Unquoted corporate debt securities	320,845	341,960
Deposits with licensed financial institutions	20,602	7,530
Cash equivalents	6	5
Payables	(81)	(5,246)
	<u>366,857</u>	<u>359,843</u>
Total fair value gain for the financial year	<u>2,453</u>	<u>4,452</u>

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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 LOANS AND RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Policy loans	12,152	10,481	12,152	10,481
Other secured loans	-	24	-	24
	<u>12,152</u>	<u>10,505</u>	<u>12,152</u>	<u>10,505</u>
Fixed and call deposits with licensed financial institutions	109,922	79,742	89,320	72,212
	<u>122,074</u>	<u>90,247</u>	<u>101,472</u>	<u>82,717</u>
Receivable within 12 months	109,922	79,745	89,320	72,215
Receivable after 12 months	12,152	10,502	12,152	10,502
	<u>122,074</u>	<u>90,247</u>	<u>101,472</u>	<u>82,717</u>

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 REINSURANCE ASSETS

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
- insurance claims liabilities	17,007	14,290
- insurance contract liabilities (note 13)	75,199	57,730
	<u>92,206</u>	<u>72,020</u>
Receivable within 12 months	22,269	18,177
Receivable after 12 months	69,937	53,843
	<u>92,206</u>	<u>72,020</u>

9 INSURANCE RECEIVABLES

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	12,415	6,726
Less: Allowance for impairment (note 32)	-	-
	<u>12,415</u>	<u>6,726</u>
Due from reinsurers and cedants	11	134
	<u>12,426</u>	<u>6,860</u>
Receivable within 12 months	<u>12,426</u>	<u>6,860</u>

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

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Gross amounts of recognised financial assets	15,174	14,374
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (note 14)	(2,748)	(7,514)
Net amounts of financial assets presented in the statement of financial position	<u>12,426</u>	<u>6,860</u>

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 INSURANCE RECEIVABLES (CONTINUED)

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 2018 (2017: nil).

10 OTHER RECEIVABLES

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Amount due from fund manager/brokers	1,346	1,388
Amount due from related parties	8,837	16,616
Deposits receivable	274	272
Dividend receivable	496	390
Subscription to LIAM shares	2,147	2,147
Other receivables	2,808	2,842
	<u>15,908</u>	<u>23,655</u>
Receivable within 12 months	13,661	21,408
Receivable after 12 months	2,247	2,247
	<u>15,908</u>	<u>23,655</u>

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 at the date of the statement of financial position.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 SHARE CAPITAL

<u>Group/Company</u>	<u>2018</u>		<u>2017</u>	
	<u>Number of shares</u> <u>'000</u>	<u>Nominal value</u> <u>RM'000</u>	<u>Number of shares</u> <u>'000</u>	<u>Nominal value</u> <u>RM'000</u>
<u>Ordinary shares issued and paid up</u>				
At 1 January	242,000	258,000	242,000	242,000 ²
Transition to no-par value regime on 31 January 2017 ¹	-	-	-	16,000
At 31 December – ordinary shares with no par value	<u>242,000</u>	<u>258,000</u>	<u>242,000</u>	<u>258,000</u>
<u>Perpetual non-cumulative preference shares (“PPS”) issued and paid up</u>				
At 1 January	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000²</u>
At 31 December – preference shares with no par value	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
At 31 December	<u><u>342,000</u></u>	<u><u>358,000</u></u>	<u><u>342,000</u></u>	<u><u>358,000</u></u>

¹ The new Companies Act 2016 (“New Act”), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM16,000,000 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

² Shares of RM1 each.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 **SHARE CAPITAL (CONTINUED)**

Features of the Perpetual Non-Cumulative 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 non-cumulative gross dividend of 8% per annum, payable annually in arrears after the anniversary of the issue date of the PPS. The payment of dividend under 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.

12 **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 at 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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13 **INSURANCE CONTRACT LIABILITIES**

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

<u>Group/Company</u>	2018			2017		
	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000
Actuarial liabilities	1,271,899	(75,199)	1,196,700	1,192,178	(57,730)	1,134,448
Unallocated surplus	-	-	-	1,472	-	1,472
Net asset value attributable to unitholders	221,929	-	221,929	220,562	-	220,562
	<u>1,493,828</u>	<u>(75,199)</u>	<u>1,418,629</u>	<u>1,414,212</u>	<u>(57,730)</u>	<u>1,356,482</u>
Current	222,759	(5,262)	217,497	264,929	(3,887)	261,042
Non-current	<u>1,271,069</u>	<u>(69,937)</u>	<u>1,201,132</u>	<u>1,149,283</u>	<u>(53,843)</u>	<u>1,095,440</u>
	<u>1,493,828</u>	<u>(75,199)</u>	<u>1,418,629</u>	<u>1,414,212</u>	<u>(57,730)</u>	<u>1,356,482</u>

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

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

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2018	1,414,212	(57,730)	1,356,482
<u>Projected changes of inforce policies</u>			
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
<u>Assumption changes</u>			
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	<u>1,493,828</u>	<u>(75,199)</u>	<u>1,418,629</u>

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

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

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2017	1,359,658	(91,422)	1,268,236
<u>Projected changes of inforce policies</u>			
Premium income	172,209	(60,699)	111,510
Expense and commission	(36,517)	13	(36,504)
Benefits	(203,570)	60,225	(143,345)
Interest on cashflows	36,711	(2,872)	33,839
Others	(23,144)	7,970	(15,174)
Experience variance on inforce policies	(6,154)	3,634	(2,520)
Reserve for new policies	83,008	(10,763)	72,245
<u>Assumption changes</u>			
Discount rate	23,759	(2,016)	21,743
Mortality	(42,513)	38,062	(4,451)
Lapse rates	(3,634)	137	(3,497)
Policy expenses	387	-	387
Others	(405)	-	(405)
Expense reserve	6,463	-	6,463
Other changes	(1,314)	1	(1,313)
Movement in unallocated surplus	853	-	853
Movement in net asset value attributable to unitholders	48,415	-	48,415
At 31 December 2017	1,414,212	(57,730)	1,356,482

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 INSURANCE PAYABLES

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Due to agents and intermediaries	3,224	3,639
Due to reinsurers and cedants	6,722	8,805
	<u>9,946</u>	<u>12,444</u>
Payable within 12 months	<u>9,946</u>	<u>12,444</u>

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

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Gross amounts of recognised financial liabilities	12,694	19,958
Less: Gross amounts of recognised financial assets set off in the statement of financial position (note 9)	<u>(2,748)</u>	<u>(7,514)</u>
Net amounts of financial liabilities presented in the statement of financial position	<u>9,946</u>	<u>12,444</u>

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 2018 (2017: nil).

15 OTHER FINANCIAL LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Outstanding purchases of investment securities	1,448	6,632	1,448	1,468
Unprocessed proposals	9,410	4,884	9,410	4,884
Others	1,902	1,864	1,902	1,864
	<u>12,760</u>	<u>13,380</u>	<u>12,760</u>	<u>8,216</u>
Payable within 12 months	<u>12,760</u>	<u>13,380</u>	<u>12,760</u>	<u>8,216</u>

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

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Deposits	86	94	86	94
Accrual for bonus	18,955	18,967	18,955	18,967
Accrual for electronic data processing expenses	971	879	971	879
Accrual for sales and marketing expenses	11,277	10,184	11,277	10,184
Accrual for advertising cost	869	2,446	869	2,446
Accrual for other expenses	8,647	8,934	8,566	8,852
Advance premium	10,303	8,195	10,303	8,195
Others	7,754	9,831	7,754	9,831
	<u>58,862</u>	<u>59,530</u>	<u>58,781</u>	<u>59,448</u>

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

17 DEFERRED TAX LIABILITIES

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
At January	26,773	16,683
Recognised in:		
Profit or loss (note 24)	3,437	10,090
At December	<u>30,210</u>	<u>26,773</u>
Current	4	65
Non-current	30,206	26,708
	<u>30,210</u>	<u>26,773</u>

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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

17 DEFERRED TAX LIABILITIES (CONTINUED)

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

	<u>Group/Company</u>	
	<u>2018</u> RM'000	<u>2017</u> RM'000
Deferred tax liabilities	30,210	26,773
Deferred tax assets	-	-
	<u>30,210</u>	<u>26,773</u>

<u>Group/Company</u>	<u>Accelerated depreciation</u> RM'000	<u>Revaluation- financial assets</u> RM'000	<u>Provision for expenses</u> RM'000	<u>Reserves</u> RM'000	<u>Total</u> RM'000
<u>Deferred tax liabilities/(assets)</u>					
At 1 January 2017	202	3,652	(66)	12,895	16,683
Recognised in:					
Profit or loss (note 24)	147	4,448	-	5,495	10,090
At 31 December 2017	<u>349</u>	<u>8,100</u>	<u>(66)</u>	<u>18,390</u>	<u>26,773</u>
Recognised in:					
Profit or loss (note 24)	(40)	(2,491)	(78)	6,046	3,437
At 31 December 2018	<u>309</u>	<u>5,609</u>	<u>(144)</u>	<u>24,436</u>	<u>30,210</u>

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

17 DEFERRED TAX LIABILITIES (CONTINUED)

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

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
<u>Subject to income tax:</u>		
<u>Deferred tax assets (before offsetting)</u>		
Provision for expenses	144	66
Offsetting	(144)	(66)
	<u> </u>	<u> </u>
Deferred tax assets (after offsetting)	<u> -</u>	<u> -</u>
<u>Deferred tax liabilities (before offsetting)</u>		
Property and equipment	309	349
Financial assets	5,609	8,100
Reserves	24,436	18,390
	<u> </u>	<u> </u>
Offsetting	30,354 (144)	26,839 (66)
	<u> </u>	<u> </u>
Deferred tax liabilities (after offsetting)	<u> 30,210</u>	<u> 26,773</u>

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18 INVESTMENT INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental income	566	591	566	591
Financial assets at FVTPL - designated upon initial recognition				
Interest income	72,022	66,804	54,031	56,885
Dividend income				
- equity securities quoted in Malaysia	8,936	9,502	8,936	9,502
- controlled structured entities	-	-	16,112	5,391
LAR interest income	4,003	4,532	3,647	4,206
	85,527	81,429	83,292	76,575

19 NET REALISED GAINS

	Group/Company	
	2018 RM'000	2017 RM'000
Gain on disposal of property and equipment	2	95

20 NET FAIR VALUE (LOSSES)/GAINS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets at FVTPL - designated upon initial recognition				
Unrealised (losses)/gains (note 5(b))	(34,933)	31,956	(34,320)	36,363
<u>Realised (losses)/gains:</u>				
- Malaysian Government Securities	(192)	1,535	(98)	1,412
- Quoted equity securities	2,129	9,571	2,129	9,571
- Unquoted corporate debt securities	(1,088)	865	(844)	920
- Unit trust funds	1,616	5,521	1,616	5,521
- Controlled structured entities	-	-	450	-
	(32,468)	49,448	(31,067)	53,787

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

21 OTHER OPERATING INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Recoveries from impaired bonds	-	113	-	113
Writeback of impairment loss (note 32)	-	1	-	1
Tax recoveries	5,405	-	5,405	-
Others	2,974	2,510	2,968	2,510
	<u>8,379</u>	<u>2,624</u>	<u>8,373</u>	<u>2,624</u>

22 MANAGEMENT EXPENSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Employee benefits expense (note 22(a))	44,343	41,691	44,343	41,691
Directors' fees and allowance (note 22(b))	829	910	829	910
Auditors' remuneration:				
Statutory audit				
- current financial year	397	361	397	361
- over accrual in respect of prior financial years	(14)	-	(14)	-
Non-audit services	34	10	34	10
Electronic data processing expenses	3,863	3,204	3,863	3,204
Sales and marketing expenses	40,138	35,799	40,138	35,799
Advertising cost	1,658	4,299	1,658	4,299
Depreciation of property and equipment (note 3)	8,016	7,437	8,016	7,437
Amortisation of intangible assets (note 4)	657	182	657	182
Rental expenses	136	134	136	134
Telephone and postage expenses	1,464	1,676	1,464	1,676
Others	18,539	18,130	17,699	17,615
	<u>120,060</u>	<u>113,833</u>	<u>119,220</u>	<u>113,318</u>

(a) Employee benefits expense

Salaries and bonus	34,566	33,079	34,566	33,079
Defined contribution plan	4,748	4,470	4,748	4,470
Share-based payment plan (note 22(c))	511	325	511	325
Expatriate allowances	591	574	591	574
Other staff benefits	3,927	3,243	3,927	3,243
	<u>44,343</u>	<u>41,691</u>	<u>44,343</u>	<u>41,691</u>

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 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:

<u>Group/Company</u>	<u>Salary and bonus</u> RM'000	<u>Defined contribution plan</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Share-based payment plan</u> RM'000	<u>Fees and allowance</u> RM'000	<u>Total</u> RM'000
<u>2018</u>						
Chief Executive Officer:						
Lew Yung Chow	1,958	274	30	245	-	2,507
	<u>1,958</u>	<u>274</u>	<u>30</u>	<u>245</u>	<u>-</u>	<u>2,507</u>
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
	<u>1,958</u>	<u>274</u>	<u>30</u>	<u>245</u>	<u>829</u>	<u>3,336</u>

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 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 RM'000
	Cash-based RM'000	Cash-based RM'000	Shares and share- linked instruments RM'000	Benefits- in-kind RM'000	
<u>Total value of remuneration awards for the financial year:</u>					
<u>2018</u>					
Chief Executive Officer:					
Lew Yung Chow	1,334	898	245	30	2,507
	<u>1,334</u>	<u>898</u>	<u>245</u>	<u>30</u>	<u>2,507</u>
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
	<u>2,099</u>	<u>962</u>	<u>245</u>	<u>30</u>	<u>3,336</u>

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 (2017: RM476,263).

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 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)

<u>Group/Company</u>	<u>Salary and bonus</u> RM'000	<u>Defined contribution plan</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Share-based payment plan</u> RM'000	<u>Fees and allowance</u> RM'000	<u>Total</u> RM'000
<u>2017</u>						
Chief Executive Officer:						
Lew Yung Chow	720	101	17	21	-	859
	<u>720</u>	<u>101</u>	<u>17</u>	<u>21</u>	<u>-</u>	<u>859</u>
Executive Director:						
Encik Karim Gilani (appointed on 8 September 2017)	-	-	-	-	-	-
Non-executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	177	177
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	166	166
Encik Jose Isidro Navato Camacho	-	-	-	-	178	178
Encik Renzo Christopher Viegas	-	-	-	-	64	64
Dato' Mohd Shukri Bin Hussin	-	-	-	-	146	146
Encik Ahmad Farouk Bin Mohamed	-	-	-	-	52	52
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	97	97
Encik Ooi Say Teng (was an Executive Director until 8 September 2017)	1,478	207	10	81	30	1,806
	<u>2,198</u>	<u>308</u>	<u>27</u>	<u>102</u>	<u>910</u>	<u>3,545</u>

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 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)

<u>Total value of remuneration awards for the financial year:</u>	<u>Fixed remuneration</u>		<u>Variable remuneration</u>		<u>Total</u> RM'000
	<u>Cash-based</u> RM'000	<u>Cash-based</u> RM'000	<u>Shares and share-linked instruments</u> RM'000	<u>Benefits-in-kind</u> RM'000	
<u>2017</u>					
Chief Executive Officer:					
Lew Yung Chow	821	-	21	17	859
	<u>821</u>	<u>-</u>	<u>21</u>	<u>17</u>	<u>859</u>
Executive Director:					
Encik Karim Gilani (appointed on 8 September 2017)	-	-	-	-	-
Non-executive Directors:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	162	15	-	-	177
Encik Pushpanathan A/L S.A. Kanagarayar	148	18	-	-	166
Encik Jose Isidro Navato Camacho	158	20	-	-	178
Encik Renzo Christopher Viegas	60	4	-	-	64
Dato' Mohd Shukri Bin Hussin	132	14	-	-	146
Encik Ahmad Farouk Bin Mohamed	49	3	-	-	52
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	90	7	-	-	97
Encik Ooi Say Teng (was an Executive Director until 8 September 2017)	453	1,262	81	10	1,806
	<u>2,073</u>	<u>1,343</u>	<u>102</u>	<u>27</u>	<u>3,545</u>

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, there were payment for shares and share-linked instruments amounted to RM476,263.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 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:

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Sun Share Unit Plan	511	325

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 one common share, 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.

23 OTHER OPERATING EXPENSES

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Allowance for impairment loss (note 32)	-	18
Others	599	564
	<u>599</u>	<u>582</u>

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

24 TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax expense on the profit for the financial year:				
Income tax:				
Current tax	24,114	23,853	24,114	23,853
Deferred tax (note 17)	3,437	10,090	3,437	10,090
	<u>27,551</u>	<u>33,943</u>	<u>27,551</u>	<u>33,943</u>
Over provision in prior financial years	(3,297)	(1,395)	(3,297)	(1,395)
	<u>24,254</u>	<u>32,548</u>	<u>24,254</u>	<u>32,548</u>

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation attributable to Shareholders	<u>153,569</u>	<u>131,682</u>	<u>153,569</u>	<u>131,682</u>
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	36,857	31,604	36,857	31,604
Income not subject to tax	(5,573)	(1,449)	(5,371)	(1,325)
Expenses not deductible for tax purposes	348	124	146	-
Section 110B tax credit set off	(5,209)	(4,419)	(5,209)	(4,419)
Over provision in prior financial years	(3,297)	(1,395)	(3,297)	(1,395)
Tax expense for the financial year	<u>23,126</u>	<u>24,465</u>	<u>23,126</u>	<u>24,465</u>

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

25 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.

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Profit attributable to ordinary equity holders (RM'000)	130,443	107,217
Weighted average number of shares in issue ('000)	242,000	242,000
Basic earnings per share (sen)	<u>53.90</u>	<u>44.30</u>

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

26 DIVIDENDS

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

	<u>2018</u>		<u>2017</u>	
	RM per share	RM'000	RM per share	RM'000
Dividend in respect of the financial year:				
Perpetual Non-Cumulative Preference Shares	0.08	8,000	0.08	8,000
Ordinary Shares	0.3190	77,200	0.3054	73,900
		<u>85,200</u>		<u>81,900</u>

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

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

27 OPERATING LEASE COMMITMENTS

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

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Not later than 1 year	168	304
Later than 1 year and not later than 5 years	73	139
	<u>241</u>	<u>443</u>

28 CAPITAL COMMITMENTS

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Approved and contracted for: Property and equipment	3,742	3,712
Approved but not contracted for: Property and equipment	4,833	5,015
	<u>8,575</u>	<u>8,727</u>

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 SIGNIFICANT RELATED PARTY DISCLOSURES

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

<u>Company</u>	<u>Country of incorporation</u>	<u>Relationship</u>
Khazanah Nasional Berhad (“KNB”)	Malaysia	Ultimate holding company
Avicennia Capital Sdn Bhd (“ACSB”)	Malaysia	Penultimate holding company (financial 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 ultimate holding company of SLACC
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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 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:

<u>(Income)/expenses</u>	<u>Location</u>	<u>Group/Company</u>	
		<u>2018</u>	<u>2017</u>
		RM'000	RM'000
Premiums received from CIMB Bank and CIMB Principal	Malaysia	(21,073)	(14,988)
Premiums paid to SLMTB	Malaysia	285	280
Interest earned from deposits in CIMB Bank and CIBB	Malaysia	(404)	(553)
Commission paid to CIMB Bank	Malaysia	63,197	54,307
Sales and marketing expenses paid to CIMB Bank and CIMB Principal	Malaysia	33,367	27,707
Rental income received from CIMB Bank and SLMTB	Malaysia	(505)	(560)
Shared service expenses charged to SLMTB	Malaysia	(72,384)	(62,386)
Charges paid to SLACC	Canada	3,231	2,930
Insurance expenses paid to CIMB Howden	Malaysia	79	1
Investment management fee paid to CIMB Principal	Malaysia	690	843
Internal audit fees paid to SLACC	Canada	21	31
Reimbursement of expenses received from SLF Asia	Hong Kong	(360)	(397)
Reimbursement of expenses received from SLACC	Canada	(4,094)	-

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

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Amount due from SLMTB	6,527	15,267
Amount due from/(to) SLACC and SLF Asia	886	(180)
Amount due to CIMB Bank and CIMB Principal	(11,307)	(13,850)

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 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:

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Salaries and other short-term employee benefits	11,401	11,282
Defined contribution plan	1,415	1,352
Fees and allowance	829	910
Share-based payment plan	511	325
	<u>14,156</u>	<u>13,869</u>

The estimated cash value of benefits-in-kind provided to key management personnel of the Group and the Company amounted to RM186,725 (2017: RM170,333).

(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:

	<u>2018</u>			<u>2017</u>		
	<u>Number</u>			<u>Number</u>		
	<u>of persons</u>	<u>Unrestricted</u>	<u>Deferred</u>	<u>of persons</u>	<u>Unrestricted</u>	<u>Deferred</u>
Fixed remuneration						
cash-based	15	8,182	-	15	7,389	-
Variable remuneration						
cash-based	14	4,634	-	13	5,245	-
Shares and share-linked remuneration	14	-	511	2	-	325
Benefits-in-kind	3	187	-	4	170	-

During the financial year, none of the key management personnel were entitled to sign-on awards. (2017: RM10,699).

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 **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 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 **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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 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.

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 INSURANCE RISK (CONTINUED)

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

<u>Group</u>	<u>Group/Company</u> 2018			<u>Company</u> 2017		
	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000
Whole life	44,406	1,321	45,727	28,406	2,254	30,660
Term assurance	213,928	(7,273)	206,655	180,376	(8,078)	172,298
Endowment	250,982	(1,101)	249,881	241,767	(1,084)	240,683
Mortgage	721,204	(67,607)	653,597	698,278	(50,232)	648,046
Others	41,379	(539)	40,840	43,351	(590)	42,761
	<u>1,271,899</u>	<u>(75,199)</u>	<u>1,196,700</u>	<u>1,192,178</u>	<u>(57,730)</u>	<u>1,134,448</u>

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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 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.

A flat gross fund-based yield of 4.38% per annum was assumed for all durations in 2017.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 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 20% to 35% 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.

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 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 non-linear. Sensitivity information will also vary according to the current economic assumptions.

<u>Group/Company</u>	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2018</u>					
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)

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 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 non-linear. Sensitivity information will also vary according to the current economic assumptions.

<u>Group/Company</u>	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2017</u>					
Mortality/morbidity	+10	71,654	12,892	(12,813)	(10,250)
Expenses	+10	8,997	8,997	(8,969)	(7,175)
Lapse and surrender rates	+10	4,656	5,201	(5,332)	(4,267)
Discount rate	-1	118,090	114,588	(113,384)	(90,707)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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 AA) 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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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.

2018	Group			Company		
	Life and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000	Life and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
<u>LAR</u>						
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
<u>Financial assets at FVTPL - designated upon initial recognition</u>						
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
Cash and bank balances	<u>1,886,931</u>	<u>261,873</u>	<u>2,148,804</u>	<u>1,886,850</u>	<u>261,873</u>	<u>2,148,723</u>

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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		
	<u>Life and</u> <u>Shareholders' funds</u> RM'000	<u>Investment-</u> <u>linked funds</u> RM'000	<u>Total</u> RM'000	<u>Life and</u> <u>Shareholders' funds</u> RM'000	<u>Investment-</u> <u>linked funds</u> RM'000	<u>Total</u> RM'000
<u>2017</u>						
<u>LAR</u>						
Fixed and call deposits	70,871	8,871	79,742	63,341	8,871	72,212
Loans	10,505	-	10,505	10,505	-	10,505
Financial assets at FVTPL - designated upon initial recognition						
Malaysian Government Securities	410,467	2,519	412,986	394,873	2,519	397,392
Cagamas bonds	21,356	-	21,356	21,356	-	21,356
Quoted equity securities	90,467	52,869	143,336	90,467	52,869	143,336
Unit trust funds	9,422	162,279	171,701	9,422	162,279	171,701
Controlled structured entities	-	-	-	359,843	-	359,843
Unquoted corporate debt securities	1,027,929	35,474	1,063,403	685,969	35,474	721,443
Unquoted equity securities	174	-	174	174	-	174
Reinsurance assets	72,020	-	72,020	72,020	-	72,020
Insurance receivables	6,860	-	6,860	6,860	-	6,860
Other receivables	23,145	510	23,655	23,145	510	23,655
Cash and bank balances	23,224	606	23,830	23,219	606	23,825
	1,766,440	263,128	2,029,568	1,761,194	263,128	2,024,322
	1,766,440	263,128	2,029,568	1,761,194	263,128	2,024,322

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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

<u>2018</u>	<u>Neither past-due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked funds</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>										
Fixed and call deposits	66,671	28,676	-	-	-	-	14,575	-	-	109,922
Loans	-	-	-	-	12,152	-	-	-	-	12,152
<u>Financial assets at FVTPL - designated upon initial recognition</u>										
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
	<u>208,069</u>	<u>489,004</u>	<u>63,547</u>	<u>-</u>	<u>1,041,994</u>	<u>84,317</u>	<u>261,873</u>	<u>-</u>	<u>-</u>	<u>2,148,804</u>

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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

<u>2017</u>	<u>AAA</u>	<u>AA</u>	<u>Neither past-due nor impaired</u>			<u>Not subject</u>	<u>Investment-</u>	<u>Past due but</u>	<u>Past due</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>	<u>to credit risk</u>	<u>linked funds</u>	<u>not impaired</u>	<u>and impaired</u>	<u>RM'000</u>
<u>LAR</u>			<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed and call deposits	39,598	31,273	-	-	-	-	8,871	-	-	79,742
Loans	-	-	-	-	10,505	-	-	-	-	10,505
<u>Financial assets at FVTPL</u>										
<u>- designated upon initial recognition</u>										
Malaysian Government Securities	-	-	-	-	410,467	-	2,519	-	-	412,986
Cagamas bonds	21,356	-	-	-	-	-	-	-	-	21,356
Quoted equity securities	-	-	-	-	-	90,467	52,869	-	-	143,336
Unit trust funds	-	-	-	-	-	9,422	162,279	-	-	171,701
Unquoted corporate debt securities	93,224	390,922	82,938	-	460,845	-	35,474	-	-	1,063,403
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	58,554	-	-	13,466	-	-	-	-	72,020
Insurance receivables	-	-	-	-	6,860	-	-	-	-	6,860
Other receivables	-	-	-	-	23,145	-	510	-	-	23,655
Cash and bank balances	22,793	76	-	-	355	-	606	-	-	23,830
	<u>176,971</u>	<u>480,825</u>	<u>82,938</u>	<u>-</u>	<u>925,643</u>	<u>100,063</u>	<u>263,128</u>	<u>-</u>	<u>-</u>	<u>2,029,568</u>

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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

<u>2018</u>	<u>Neither past-due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked funds</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>					
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>LAR</u>										
Fixed and call deposits	46,069	28,676	-	-	-	-	14,575	-	-	89,320
Loans	-	-	-	-	12,152	-	-	-	-	12,152
<u>Financial assets at FVTPL - designated upon initial recognition</u>										
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
	<u>187,461</u>	<u>333,015</u>	<u>-</u>	<u>-</u>	<u>915,200</u>	<u>451,174</u>	<u>261,873</u>	<u>-</u>	<u>-</u>	<u>2,148,723</u>

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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

<u>2017</u>	<u>AAA</u>	<u>AA</u>	<u>Neither past-due nor impaired</u>			<u>Not subject</u>	<u>Investment-</u>	<u>Past due but</u>	<u>Past due</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>	<u>to credit risk</u>	<u>linked funds</u>	<u>not impaired</u>	<u>and impaired</u>	<u>RM'000</u>
			<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>LAR</u>										
Fixed and call deposits	32,068	31,273	-	-	-	-	8,871	-	-	72,212
Loans	-	-	-	-	10,505	-	-	-	-	10,505
<u>Financial assets at FVTPL</u>										
<u>- designated upon initial recognition</u>										
Malaysian Government Securities	-	-	-	-	394,873	-	2,519	-	-	397,392
Cagamas bonds	21,356	-	-	-	-	-	-	-	-	21,356
Quoted equity securities	-	-	-	-	-	90,467	52,869	-	-	143,336
Unit trust funds	-	-	-	-	-	9,422	162,279	-	-	171,701
Controlled structured entities	-	-	-	-	-	359,843	-	-	-	359,843
Unquoted corporate debt securities	93,224	246,462	-	-	346,283	-	35,474	-	-	721,443
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	58,554	-	-	13,466	-	-	-	-	72,020
Insurance receivables	-	-	-	-	6,860	-	-	-	-	6,860
Other receivables	-	-	-	-	23,145	-	510	-	-	23,655
Cash and bank balances	22,788	76	-	-	355	-	606	-	-	23,825
	<u>169,436</u>	<u>336,365</u>	<u>-</u>	<u>-</u>	<u>795,487</u>	<u>459,906</u>	<u>263,128</u>	<u>-</u>	<u>-</u>	<u>2,024,322</u>

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Impaired Insurance Receivables

At 31 December 2018, there are no impaired Insurance receivables (2017:nil). Impairment of insurance receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for these impaired assets.

A reconciliation of the allowance for impairment losses on insurance receivables is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
As at 1 January	-	1	-	1
Allowance for impairment loss during the financial year (note 23)	-	18	-	18
Write off against insurance receivables	-	(18)	-	(18)
Writeback of impairment loss (note 21)	-	(1)	-	(1)
	-	-	-	-
	-	-	-	-

(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 to be given immediately.

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)Group

<u>2018</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>									
Fixed and call deposits	109,922	95,347	-	-	-	-	-	14,575	109,922
Loans	12,152	12,152	-	-	-	-	-	-	12,152
<u>Financial assets at FVTPL</u>									
<u>- designated upon initial recognition</u>									
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

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Group</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>2018</u> (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	<u>1,603,675</u>	<u>151,434</u>	<u>84,137</u>	<u>193,359</u>	<u>985,556</u>	<u>732,906</u>	<u>-</u>	<u>223,313</u>	<u>2,370,705</u>

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)Group

<u>2017</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>									
Fixed and call deposits	79,742	70,871	-	-	-	-	-	8,871	79,742
Loans	10,505	10,505	-	-	-	-	-	-	10,505
<u>Financial assets at FVTPL</u>									
<u>- designated upon initial recognition</u>									
Malaysian Government Securities	412,986	132,860	27,140	65,118	217,805	138,289	-	2,519	583,731
Cagamas bonds	21,356	15,943	650	650	6,824	-	-	-	24,067
Quoted equity securities	143,336	-	-	-	-	-	90,467	52,869	143,336
Unit trust funds	171,701	-	-	-	-	-	9,422	162,279	171,701
Unquoted corporate debt securities	1,063,403	86,958	223,829	197,220	816,470	294,450	-	35,474	1,654,401
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	72,020	18,299	16,286	13,524	32,363	8,329	-	-	88,801
Insurance receivables	6,860	6,860	-	-	-	-	-	-	6,860
Other receivables	23,655	23,145	-	-	-	-	-	510	23,655
Cash and bank balances	23,830	-	-	-	-	-	23,224	606	23,830
Total assets	2,029,568	365,441	267,905	276,512	1,073,462	441,068	123,287	263,128	2,810,803

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Group</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>2017</u> (continued)									
Insurance contract liabilities	1,414,212	94,667	109,001	167,686	853,330	590,989	1,472	220,562	2,037,707
Insurance claims liabilities	21,277	21,277	-	-	-	-	-	-	21,277
Insurance payables	12,444	12,444	-	-	-	-	-	-	12,444
Other financial liabilities	13,380	13,380	-	-	-	-	-	-	13,380
Other payables	59,530	59,255	-	-	-	-	-	275	59,530
Total liabilities	<u>1,520,843</u>	<u>201,023</u>	<u>109,001</u>	<u>167,686</u>	<u>853,330</u>	<u>590,989</u>	<u>1,472</u>	<u>220,837</u>	<u>2,144,338</u>

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)Company

<u>2018</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>									
Fixed and call deposits	89,320	74,745	-	-	-	-	-	14,575	89,320
Loans	12,152	12,152	-	-	-	-	-	-	12,152
<u>Financial assets at FVTPL</u>									
<u>- designated upon initial recognition</u>									
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

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>2018</u> (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	<u>1,603,594</u>	<u>151,353</u>	<u>84,137</u>	<u>193,359</u>	<u>985,556</u>	<u>732,906</u>	<u>-</u>	<u>223,313</u>	<u>2,370,624</u>

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)Company

<u>2017</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>									
Fixed and call deposits	72,212	63,341	-	-	-	-	-	8,871	72,212
Loans	10,505	10,505	-	-	-	-	-	-	10,505
<u>Financial assets at FVTPL</u>									
<u>- designated upon initial recognition</u>									
Malaysian Government Securities	397,392	132,210	25,840	58,930	204,431	138,289	-	2,519	562,219
Cagamas bonds	21,356	15,943	650	650	6,824	-	-	-	24,067
Quoted equity securities	143,336	-	-	-	-	-	90,467	52,869	143,336
Unit trust funds	171,701	-	-	-	-	-	9,422	162,279	171,701
Controlled structured entities	359,843	-	-	-	-	-	359,843	-	359,843
Unquoted corporate debt securities	721,443	49,814	116,500	125,804	591,137	283,084	-	35,474	1,201,813
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	72,020	18,299	16,286	13,524	32,363	8,329	-	-	88,801
Insurance receivables	6,860	6,860	-	-	-	-	-	-	6,860
Other receivables	23,655	23,145	-	-	-	-	-	510	23,655
Cash and bank balances	23,825	-	-	-	-	-	23,219	606	23,825
Total assets	2,024,322	320,117	159,276	198,908	834,755	429,702	483,125	263,128	2,689,011

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>2017</u> (continued)									
Insurance contract liabilities	1,414,212	94,667	109,001	167,686	853,330	590,989	1,472	220,562	2,037,707
Insurance claims liabilities	21,277	21,277	-	-	-	-	-	-	21,277
Insurance payables	12,444	12,444	-	-	-	-	-	-	12,444
Other financial liabilities	8,216	8,216	-	-	-	-	-	-	8,216
Other payables	59,448	59,173	-	-	-	-	-	275	59,448
Total liabilities	<u>1,515,597</u>	<u>195,777</u>	<u>109,001</u>	<u>167,686</u>	<u>853,330</u>	<u>590,989</u>	<u>1,472</u>	<u>220,837</u>	<u>2,139,092</u>

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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 non-linear.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

<u>2018</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in interest rate</u>				
+ 100 basis points	(93,227)	(93,227)	(79,205)	(79,205)
- 100 basis points	106,161	106,161	90,806	90,806
<u>2017</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in interest rate</u>				
+ 100 basis points	(68,474)	(68,474)	(67,786)	(67,786)
- 100 basis points	76,475	76,475	75,773	75,773

* 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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 non-linear.

<u>2018</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in price</u>				
Market price + 20%	13,792	13,792	13,792	13,792
- 20%	(13,792)	(13,792)	(13,792)	(13,792)
<u>2017</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in price</u>				
Market price + 20%	15,459	15,459	15,459	15,459
- 20%	(15,459)	(15,459)	(15,459)	(15,459)

* 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

32 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.

33 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2018, as prescribed under the RBC Framework is provided below:

	Group		Company	
	2018	2017	2018	2017
	RM’000	RM’000	RM’000	RM’000
<u>Eligible Tier 1 Capital</u>				
Share capital (paid-up)	358,000	358,000	358,000	358,000
Retained earnings	132,839	111,777	132,839	111,777
Eligible contract liabilities	122,185	95,609	122,185	95,609
	613,024	565,386	613,024	565,386
Amounts deducted from capital	(5,030)	(5,868)	(5,030)	(5,868)
Total capital available	607,994	559,518	607,994	559,518

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash 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:

<u>Fair value as at 31 December 2018</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial asset</u> RM'000	<u>Total*</u> RM'000
<u>Group</u>			
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
	<u>147,354</u>	<u>1,902,712</u>	<u>2,050,066</u>
<u>Company</u>			
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
	<u>126,746</u>	<u>1,923,239</u>	<u>2,049,985</u>

* 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 non-financial assets.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	Financial assets with SPPI cash flows	All other financial assets	Total
<u>Changes in fair value during the year</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>			
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)
Loans and receivables – Fixed and call deposits	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>-</u>	<u>(32,611)</u>	<u>(32,611)</u>
	<u>-</u>	<u>(32,611)</u>	<u>(32,611)</u>
<u>Company</u>			
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
Loans and receivables – Fixed and call deposits	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>-</u>	<u>(31,998)</u>	<u>(31,998)</u>
	<u>-</u>	<u>(31,998)</u>	<u>(31,998)</u>

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

Financial assets with SPPI cash flows*

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

	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>Non-rated</u> RM'000	<u>Investment- linked funds</u> RM'000	<u>Total</u> RM'000
<u>Group</u>					
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
	<u>87,614</u>	<u>28,986</u>	<u>14,490</u>	<u>16,264</u>	<u>147,354</u>
<u>Company</u>					
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
	<u>67,006</u>	<u>28,986</u>	<u>14,490</u>	<u>16,264</u>	<u>126,746</u>

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

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 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 2018

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
<u>Assets</u>								
Property and equipment	-	-	61,888	54,945	-	-	61,888	54,945
Intangible assets	-	-	5,030	5,868	-	-	5,030	5,868
Financial assets	385,490	396,965	1,538,161	1,455,227	(38,985)	(39,236)	1,884,666	1,812,956
Loans and receivables	29,967	16,661	92,107	73,586	-	-	122,074	90,247
Reinsurance assets	-	-	92,206	72,020	-	-	92,206	72,020
Insurance receivables	-	-	12,426	6,860	-	-	12,426	6,860
Other receivables	222,454	175,004	15,560	23,617	(222,106)	(174,966)	15,908	23,655
Current tax assets	(19,354)	(16,600)	26,103	17,178	-	-	6,749	578
Cash and bank balances	16	16	21,508	23,814	-	-	21,524	23,830
Total assets	618,573	572,046	1,864,989	1,733,115	(261,091)	(214,202)	2,222,471	2,090,959

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2018 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Group</u>								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	132,839	111,777	-	-	-	-	132,839	111,777
Reserves	97,747	73,566	-	-	-	-	97,747	73,566
Total equity	588,586	543,343	-	-	-	-	588,586	543,343
<u>Liabilities</u>								
Insurance contract liabilities	-	-	1,532,813	1,453,448	(38,985)	(39,236)	1,493,828	1,414,212
Insurance claims liabilities	-	-	28,279	21,277	-	-	28,279	21,277
Insurance payables	-	-	9,946	12,444	-	-	9,946	12,444
Other financial liabilities	-	5,164	12,760	8,216	-	-	12,760	13,380
Other payables	680	650	280,288	233,846	(222,106)	(174,966)	58,862	59,530
Deferred tax liabilities	29,307	22,889	903	3,884	-	-	30,210	26,773
Total liabilities	29,987	28,703	1,864,989	1,733,115	(261,091)	(214,202)	1,633,885	1,547,616
Total equity, policyholders' funds and liabilities	618,573	572,046	1,864,989	1,733,115	(261,091)	(214,202)	2,222,471	2,090,959

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2018 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
<u>Assets</u>								
Property and equipment	-	-	61,888	54,945	-	-	61,888	54,945
Intangible assets	-	-	5,030	5,868	-	-	5,030	5,868
Financial assets	406,017	399,254	1,538,161	1,455,227	(38,985)	(39,236)	1,905,193	1,815,245
Loans and receivables	9,365	9,131	92,107	73,586	-	-	101,472	82,717
Reinsurance assets	-	-	92,206	72,020	-	-	92,206	72,020
Insurance receivables	-	-	12,426	6,860	-	-	12,426	6,860
Other receivables	222,454	175,004	15,560	23,617	(222,106)	(174,966)	15,908	23,655
Current tax assets	(19,354)	(16,600)	26,103	17,178	-	-	6,749	578
Cash and bank balances	10	11	21,508	23,814	-	-	21,518	23,825
Total assets	618,492	566,800	1,864,989	1,733,115	(261,091)	(214,202)	2,222,390	2,085,713

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2018 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Company</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	132,839	111,777	-	-	-	-	132,839	111,777
Reserves	97,747	73,566	-	-	-	-	97,747	73,566
Total equity	588,586	543,343	-	-	-	-	588,586	543,343
<u>Liabilities</u>								
Insurance contract liabilities	-	-	1,532,813	1,453,448	(38,985)	(39,236)	1,493,828	1,414,212
Insurance claims liabilities	-	-	28,279	21,277	-	-	28,279	21,277
Insurance payables	-	-	9,946	12,444	-	-	9,946	12,444
Other financial liabilities	-	-	12,760	8,216	-	-	12,760	8,216
Other payables	599	568	280,288	233,846	(222,106)	(174,966)	58,781	59,448
Deferred tax liabilities	29,307	22,889	903	3,884	-	-	30,210	26,773
Total liabilities	29,906	23,457	1,864,989	1,733,115	(261,091)	(214,202)	1,633,804	1,542,370
Total equity, policyholders' funds and liabilities	618,492	566,800	1,864,989	1,733,115	(261,091)	(214,202)	2,222,390	2,085,713

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2018

	Shareholders' Fund		Life Fund		Elimination		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Group</u>								
Gross premiums	-	-	620,209	560,718	-	-	620,209	560,718
Premiums ceded to reinsurers	-	-	(72,589)	(57,444)	-	-	(72,589)	(57,444)
Net premium	-	-	547,620	503,274	-	-	547,620	503,274
Investment income	18,500	16,871	67,027	64,558	-	-	85,527	81,429
Net realised gains	-	-	2	95	-	-	2	95
Net fair value gains	-	5,303	-	47,522	-	(3,377)	-	49,448
Other operating income	5,611	115	2,768	2,509	-	-	8,379	2,624
Other income	24,111	22,289	69,797	114,684	-	(3,377)	93,908	133,596
Gross benefits and claims paid	-	-	(252,711)	(285,009)	-	-	(252,711)	(285,009)
Claims ceded to reinsurers	-	-	45,755	50,621	-	-	45,755	50,621
Gross change in contract liabilities	-	-	(79,365)	(57,931)	(251)	3,377	(79,616)	(54,554)
Change in contract liabilities ceded to reinsurers	-	-	17,469	(33,692)	-	-	17,469	(33,692)
Net claims	-	-	(268,852)	(326,011)	(251)	3,377	(269,103)	(322,634)

Company No.

197499

U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2018 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Group</u>								
Net fair value gains/(losses)	1,250	-	(33,969)	-	251	-	(32,468)	-
Commission expenses	-	-	(62,856)	(58,399)	-	-	(62,856)	(58,399)
Management expenses	(1,420)	(515)	(118,640)	(113,318)	-	-	(120,060)	(113,833)
Other operating expenses	(599)	(567)	-	(15)	-	-	(599)	(582)
Investment expenses	-	(1)	(1,745)	(1,656)	-	-	(1,745)	(1,657)
Other expenses	(769)	(1,083)	(217,210)	(173,388)	251	-	(217,728)	(174,471)
Profit before taxation	23,342	21,206	131,355	118,559	-	-	154,697	139,765
Tax expense attributable to policyholders and unitholders	-	-	(1,128)	(8,083)	-	-	(1,128)	(8,083)
Transfer from life fund	130,227	110,476	(130,227)	(110,476)	-	-	-	-
Profit before taxation attributable to Shareholders	153,569	131,682	-	-	-	-	153,569	131,682
Taxation	(23,126)	(24,465)	(1,128)	(8,083)	-	-	(24,254)	(32,548)
Tax expense attributable to policyholders and unitholders	-	-	1,128	8,083	-	-	1,128	8,083
Tax expense attributable to Shareholders	(23,126)	(24,465)	-	-	-	-	(23,126)	(24,465)
Net profit for the financial year	130,443	107,217	-	-	-	-	130,443	107,217

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2018

	Shareholders' Fund		Life Fund		Elimination		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Company</u>								
Gross premiums	-	-	620,209	560,718	-	-	620,209	560,718
Premiums ceded to reinsurers	-	-	(72,589)	(57,444)	-	-	(72,589)	(57,444)
Net premiums	-	-	547,620	503,274	-	-	547,620	503,274
Investment income	16,265	12,017	67,027	64,558	-	-	83,292	76,575
Net realised gains	-	-	2	95	-	-	2	95
Net fair value gains	-	9,642	-	47,522	-	(3,377)	-	53,787
Other operating income	5,605	115	2,768	2,509	-	-	8,373	2,624
Other income	21,870	21,774	69,797	114,684	-	(3,377)	91,667	133,081
Gross benefits and claims paid	-	-	(252,711)	(285,009)	-	-	(252,711)	(285,009)
Claims ceded to reinsurers	-	-	45,755	50,621	-	-	45,755	50,621
Gross change in contract liabilities	-	-	(79,365)	(57,931)	(251)	3,377	(79,616)	(54,554)
Change in contract liabilities ceded to reinsurers	-	-	17,469	(33,692)	-	-	17,469	(33,692)
Net claims	-	-	(268,852)	(326,011)	(251)	3,377	(269,103)	(322,634)

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2018 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Company</u>								
Net fair value gains/(losses)	2,651	-	(33,969)	-	251	-	(31,067)	-
Commission expenses	-	-	(62,856)	(58,399)	-	-	(62,856)	(58,399)
Management expenses	(580)	-	(118,640)	(113,318)	-	-	(119,220)	(113,318)
Other operating expenses	(599)	(567)	-	(15)	-	-	(599)	(582)
Investment expenses	-	(1)	(1,745)	(1,656)	-	-	(1,745)	(1,657)
Other expenses	1,472	(568)	(217,210)	(173,388)	251	-	(215,487)	(173,956)
Profit before taxation	23,342	21,206	131,355	118,559	-	-	154,697	139,765
Tax expense attributable to policyholders and unitholders	-	-	(1,128)	(8,083)	-	-	(1,128)	(8,083)
Transfer from life fund	130,227	110,476	(130,227)	(110,476)	-	-	-	-
Profit before taxation attributable to Shareholders	153,569	131,682	-	-	-	-	153,569	131,682
Taxation	(23,126)	(24,465)	(1,128)	(8,083)	-	-	(24,254)	(32,548)
Tax expense attributable to policyholders and unitholders	-	-	1,128	8,083	-	-	1,128	8,083
Tax expense attributable to Shareholders	(23,126)	(24,465)	-	-	-	-	(23,126)	(24,465)
Net profit for the financial year	130,443	107,217	-	-	-	-	130,443	107,217

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2018

	Shareholders' Fund		Life Fund		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Group</u>						
Cash flows from:						
Operating activities	85,200	81,905	14,651	17,532	99,851	99,437
Investing activities	-	-	(16,957)	(10,373)	(16,957)	(10,373)
Financing activities	(85,200)	(81,900)	-	-	(85,200)	(81,900)
Cash and cash equivalents:						
Net increase in cash and cash equivalents	-	5	(2,306)	7,159	(2,306)	7,164
At beginning of the financial year	16	11	23,814	16,655	23,830	16,666
At end of the financial year	16	16	21,508	23,814	21,524	23,830

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2018

<u>Company</u>	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Total</u>	
	<u>2018</u> RM'000	<u>2017</u> RM'000	<u>2018</u> RM'000	<u>2017</u> RM'000	<u>2018</u> RM'000	<u>2017</u> RM'000
Cash flows from:						
Operating activities	85,199	81,900	14,651	17,532	99,850	99,432
Investing activities	-	-	(16,957)	(10,373)	(16,957)	(10,373)
Financing activities	(85,200)	(81,900)	-	-	(85,200)	(81,900)
Cash and cash equivalents:						
Net increase in cash and cash equivalents	(1)	-	(2,306)	7,159	(2,307)	7,159
At beginning of the financial year	11	11	23,814	16,655	23,825	16,666
At end of the financial year	<u>10</u>	<u>11</u>	<u>21,508</u>	<u>23,814</u>	<u>21,518</u>	<u>23,825</u>

Company No.

197499	U
--------	---

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36 INVESTMENT-LINKED FUNDS

Investment-linked funds' Statement of Financial Position as at 31 December 2018

	<u>Group/Company</u> <u>2018</u> RM'000	<u>Group/Company</u> <u>2017</u> RM'000
<u>Assets</u>		
Financial assets	245,609	253,141
Loans and receivables	14,575	8,871
Other receivables	1,567	510
Cash and bank balances	122	606
Deferred tax assets	707	-
	<hr/>	<hr/>
Total assets	262,580	263,128
	<hr/>	<hr/>
<u>Liabilities</u>		
Other financial liabilities	1,020	-
Other payables	364	275
Current tax liabilities	282	1,120
Deferred tax liabilities	-	1,935
	<hr/>	<hr/>
Total liabilities	1,666	3,330
	<hr/>	<hr/>
Net asset value	260,914	259,798
	<hr/> <hr/>	<hr/> <hr/>

Investment-linked funds' Statement of Comprehensive Income for the financial year ended 31 December 2018

	<u>Group/Company</u> <u>2018</u> RM'000	<u>Company</u> <u>2017</u> RM'000
Investment income	8,030	8,986
Net fair value gains	-	29,369
	<hr/>	<hr/>
	8,030	38,355
Net fair value losses	(31,661)	-
Management expenses	(1,238)	(1,223)
Investment expenses	(563)	(692)
	<hr/>	<hr/>
(Loss)/profit before taxation	(25,432)	36,440
Taxation	2,358	(2,494)
	<hr/>	<hr/>
Net (loss)/profit for the financial year	(23,074)	33,946
	<hr/> <hr/>	<hr/> <hr/>

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36 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

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
<u>Assets</u>		
Financial assets	20,024	19,519
Other receivables	134	261
	<u>20,158</u>	<u>19,780</u>
<u>Liabilities</u>		
Other payables	10	30
Current tax liabilities	48	37
Deferred tax liabilities	102	203
	<u>160</u>	<u>270</u>
Net asset value	<u>19,998</u>	<u>19,510</u>

Statement of Comprehensive Income

	<u>Group/Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Net fair value (losses)/gains	(660)	2,305
Management expenses	(11)	(11)
	<u>(671)</u>	<u>2,294</u>
(Loss)/profit before taxation	53	(184)
Taxation	<u>(618)</u>	<u>2,110</u>
Net (loss)/profit for the financial year	<u>(618)</u>	<u>2,110</u>